THE IMPACT OF THE NEW INTERNATIONAL DIVISION OF LABOR ON INVESTMENT AND EMPLOYMENT IN THE MANUFACTURING SECTOR OF THE NIGERIAN ECONOMY

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BY

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INTERNATIONAL AFFAIRS AND DEVELOPMENT PROGRAM

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ABSTRACT

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The Impact of the New International Division of Labor on Investment and Employment in the Manufacturing Sector of the Nigerian Economy

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This study concerns the impact of the New International Division of Labor on investment and employment in the manufacturing sector of the Nigerian economy. The study was historical in analysis, and the descriptive research design was employed. Primary and secondary data served as the sources of information in this undertaking. The internationalization of capital theory was developed as the underlying conceptual framework of the study. A questionnaire was administered to multinational and indigenous companies. A comparative analysis of the responses showed the respective companies' effects on the Nigerian economy, and the reasons for the tendency toward the New International Division of Labor (NIDL) in Nigeria. The hypotheses were measured by the following factors:

1. Level of employment generation.
2. Activity type of manufacturing.
3. Amount of training and manpower development provided in the economy.
4. Utilization of labor quality in industrial ventures.

The following significant findings were observed:

1. Foreign industries do not encourage export manufacturing products to stimulate much-needed hard currency.
2. The NIDL generates employment opportunities in the Nigerian economy.
3. Higher wage rates offered by foreign companies to the labor market in Nigeria have no effect on availability of quality labor to the indigenous companies.
4. Nigerian workers are not given the training and skills needed to develop the self-sustaining economic growth and development of Nigeria.

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Thank you so much for your sacrifice, and God bless every one of you.

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LIST OF ABBREVIATIONS

ECOSOC	Economic and Social Council
ECOWAS	Economic Organisation of West African States
FDI	Foreign Direct Investment
GATT	General Agreement on Tariffs and Trade
IBRD	International Bank for Reconstruction and Development
IDCC	Industrial Development Coordinating Committee
IND	Indigenous Coorporations
ISIC	International Standard Industrial Classification of all economic activities
ISI	Import Substitution Industries
ITF	Industrial Training Fund
MNC	Multinational Corporations
NIC	Newly Industrializing Countries
NIDL	New International Division of Labor
NIEO	New International Economic Order
OPEC	Organisation of Petroleum Exporting Countries
SAP	Structural Adjustment Programme
TNC	Transnational Corporations
UAC	United African Company
UN	United Nations
UNIDO	United Nations Industrial Development Organisation

CHAPTER I

INTRODUCTION

Fundamental structural changes in the current world economic system are transforming the ways in which goods are produced, distributed, exchanged, and consumed in the world market, and attest to the rising influence of the New International Division of Labor (NIDL). In this study, this is defined as those tendencies which:

> (a) undermine the traditional bisection of the world into a few industrialized countries on one hand, and a great majority of developing countries integrated into the world economy solely as raw material producers on the other, and
> (b) compel the increasing subdivision of manufacturing processes into a number of partial operations at different industrial sites throughout the world.[1]

Folke, Fold, and Enevoldsen define it as a tendency spearheaded by the Newly Industrialising Countries (NIC) in the past two decades that changed the traditional pattern of some developing countries in the South which have exported raw materials in the past to the developed countries in the North in exchange for manufactured goods, but at present have developed a very considerable export of manufactured goods (textiles, clothing, electronics), primarily to the North.[2]

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[1]Folker Frobel, Jurgen Heinrichs, and Otto Kreye, The New International Division of Labour: Structural Unemployment in Industrialised Countries and Industrialisation in Developing Countries (Cambridge: Cambridge University Press, 1980), p. 45.

[2]Steen Folke, Niels Fold, and Thyge Enevoldsen, South-South Trade and Development: Manufacturers in the New International Division of Labour (London: Macmillan Press, 1993), p. 1.

Further, Richard Higgott defined the NIDL as the emerging structure in the world economy in the 1970s as a result of the economic boom of the 1950s and 1960s that involved the relocation of entire industries from industrialized to developing countries.[3] The researcher views the NIDL as a global market strategy of internationalizing labor and capital by the advanced capitalist countries so as to make profits as well as advance their interests and ideologies.

The world market-oriented industrialization, which is presently emerging in many developing countries, is not the result of positive decisions made by individual governments or companies. Investors locate industry at those sites where production will yield a certain profit, sites which can sustain further development for the world economy. In the "classical" international division of labor, industrial sites for manufacturing basically only existed in western Europe and later in the USA and Japan. This division of labor is defined as a few industrial countries producing capital goods and consumer goods, and confronting the vast majority of underdeveloped countries which were integrated into the world economy as producers of raw materials.[4] A rationalized investment approach was the anchor to the survival of companies in the past; that is, the installation of more efficient machinery and a reduction in the size and skills of the labor force. This traditional device, along with other classical devices, became obsolete.

There are a number of observable phenomena in the capitalist world economy which strongly suggest that the present conditions for the valorization and accumulation of capital passed through fundamental qualitative changes. These phenomena include the far-reaching industrial relocation of manufacturing from the "center" toward and even within

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[3]Richard Higgott, "Africa and the New International Division of Labor," in John Ravenhill, ed., Africa in Economic Crisis (New York: Columbia University Press, 1986), p. 286.

[4]Frobel, et al., The New International Division of Labour, op. cit., p. 40.

the periphery, stagnating or declining investment rates, the rise of structural unemployment in the industrial branches of the so-called center, and increasingly export-oriented manufacturing in the periphery. This new set of conditions for the valorization and accumulation of capital manifested itself strongly in the 1960s.[5] Three pre-conditions, taken together, seemed to be decisive for this development:

> First, a practically inexhaustible reservoir of disposable labor has come into existence in the developing countries over the years past. Also, these labor forces are extremely cheap and tempting and can be mobilized for production. Secondly, the division and subdivision of the production process is so advanced that most of these fragmented operations can be carried out with minimal levels of skill easily learned and adapted within a very short time by the use of technology. Thirdly, the development of techniques of transport and communication has created the possibility, in many cases, of the complete or partial production of goods at any site in the world—a possibility no longer ruled out by technical, organizational, and other cost factor considerations.[6]

The term designating this qualitatively new development in the world economy is the New International Division of Labor (NIDL). Therefore, the current observable relocation of production in industry (both within the traditional center and toward the periphery), and the increasing worldwide subdivision of the production process, are the result of a qualitative change in the conditions for valorization and accumulation of capital which force the development of the NIDL. It was a consequence of these new conditions that various countries and companies were forced to tailor their policies and profit-maximizing strategies to these new conditions (i.e., the requirements of the world market for industrial sites). These complex changes in the national productive relations and the global restructuring underlying the NIDL, according to this researcher, should be correctly analyzed as the process of incorporating new groups into the progressively more international labor force.

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[5]Ibid., p. 44.

[6]Ibid., p. 13.

The implications of this changing contact pattern—particularly its social, political, and economic effects—have not yet been the subject of extensive research. An analysis of the causes of this relationship and its implications for Nigeria must be carried out within the framework of a general analysis of the elements of the process of restructuring the international political economy.

Statement of the Problem

Capitalist internationalization is one of the most controversial phenomena of the world economy. The capitalist view is that the capitalist market can be played to the advantage of the poor, as demonstrated by the general rise in the standard of living in the industrialized world and the rise of newly industrialized countries such as Singapore, South Korea, and Taiwan. From this viewpoint, the developing countries hope that, by bestowing on them the benefits of improved technology and managerial skills, creating more employment, and generally serving as agents of change for their economic development and opportunity, they will move ahead. To the opposing view, capitalist penetration in the developing country is a threat to the economic sovereignty of the developing nation, hindering its development of self-reliance and promoting greed and materialism.

This industrialized capital is vital to the economic survival of Nigeria because it will stimulate the badly shattered economy. As former President Babangida of Nigeria said, "It is understandable that Nigeria should be wooing investors so hard and doing everything it can to smooth the way for investment."[7] Further, the Industrial Development Coordinating Committee (IDCC) of Nigeria approved a total of 427 business permits for joint ventures involving foreign participation in 1992.[8] These statements exemplify how

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[7]"Nigeria Woos Investors," West Africa, February 17-23, 1992, p. 268.

Nigeria is being drawn into this global investment and characterize the economic and political implications of this pursuit.

This study's point of departure is a reconsideration of the NIDL insofar as its origins lie not in a social division of labor among states in the world market, but rather in a technical division of labor within the organization of the capitalist system using the transnational corporations (TNC) as the agents for the operation. Where the TNC is increasingly the structuring agent of international productive capital and in particular of export-manufacturing, the relationship of Nigeria to the process of transformation of global division of labor becomes problematic. The issue centers on the political and economic relations of Nigeria and the TNC within the NIDL.

The purpose of this study is, therefore, to assess the impact of the NIDL on investment and employment in the manufacturing sector of the Nigerian economy. The measures included the level of employment generation, the type of sectoral investment, the amount of training and manpower development, and the utilization of labor quality in the economy. Figures 1 and 2 show the module analysis and the statement of the problem module, respectively. The investigation covered the period 1970-85. The study made a detailed assessment of Nigeria's current incorporation and integration processes.

Hypotheses

The theoretical framework suggested the following testable hypotheses:

1. The NIDL does not contribute to the solution of Nigeria's unemployment problem.
2. Investors do not invest in export-related industries that will attract the much-needed hard currencies to stimulate the economy.

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[8]"Nigerian Companies in Joint Ventures," West Africa, May 11-17, 1992, p. 804.

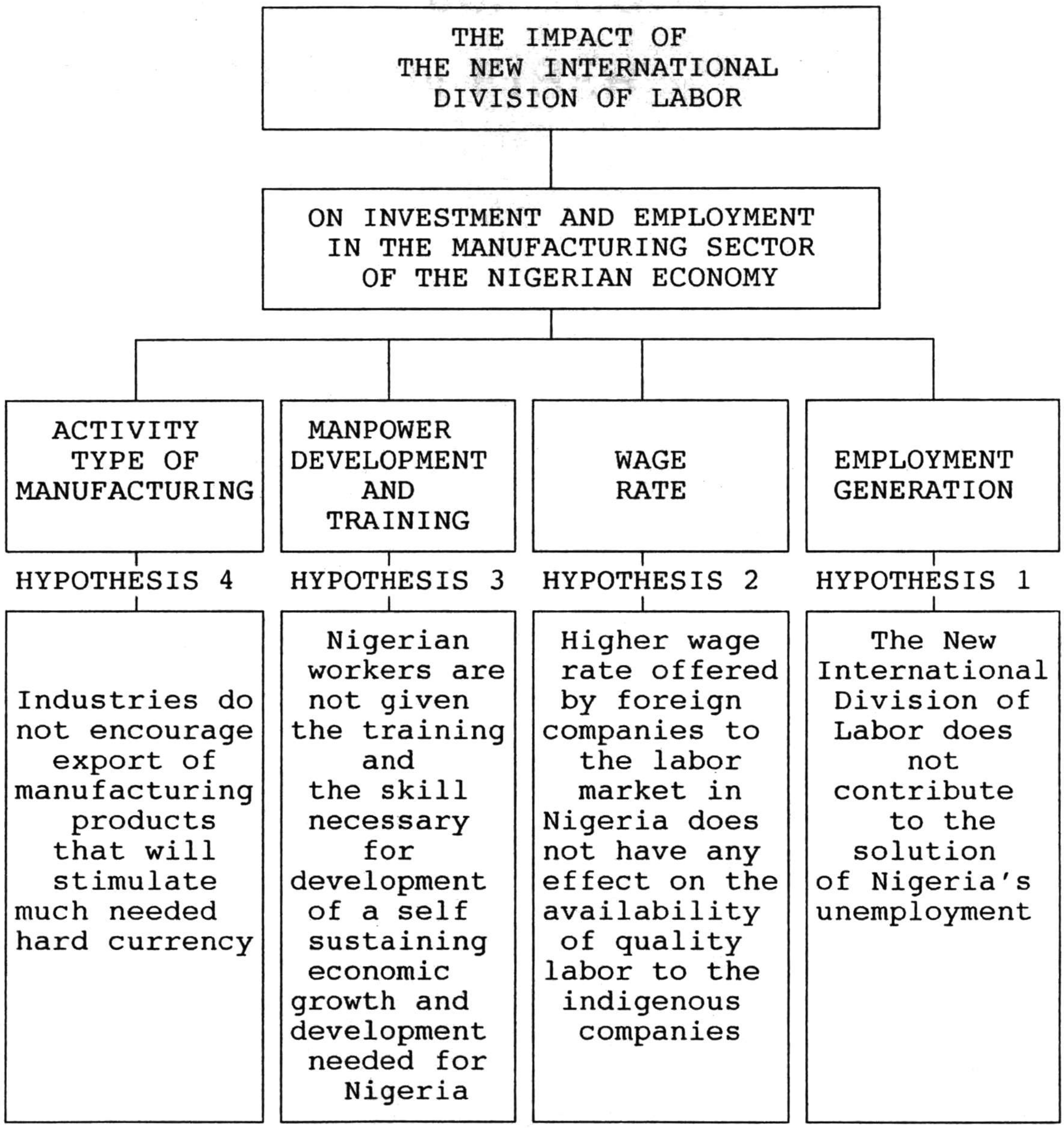

Figure 1. Module Analysis.

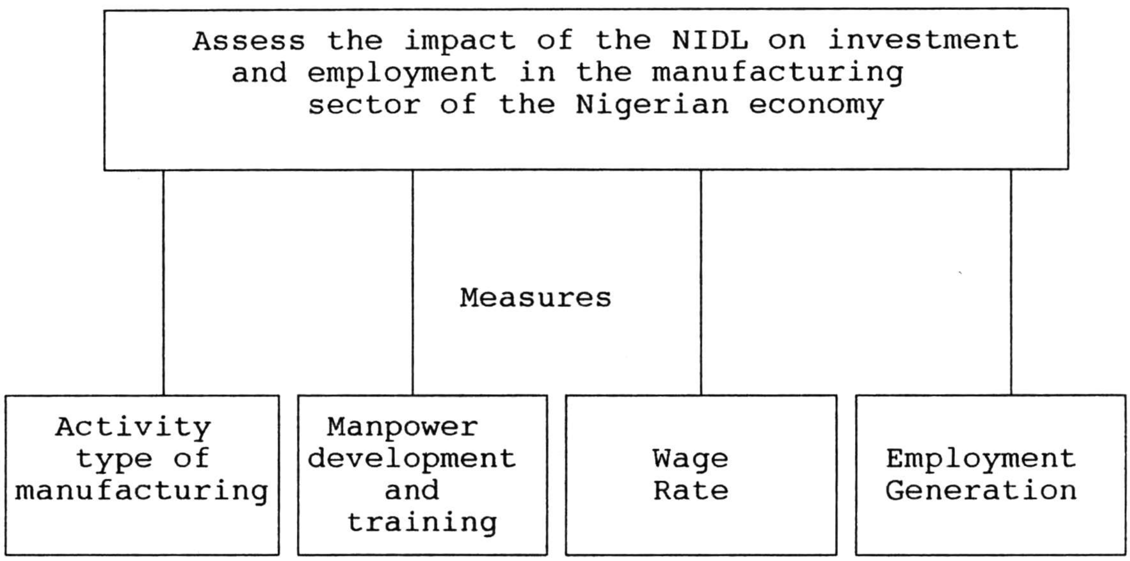

Figure 2. Statement of Problem Module.

3. Nigerian workers are not given the training and skills necessary to develop the country's self-sustaining economic growth and development.
4. Higher wage rates offered by foreign companies to the labor market in Nigeria have no effect on the availability of quality labor to the indigenous companies.

Data Collection

An extensive range of data was analyzed as part of this study, and included three timeframes for practical reasons. First, to examine the historical development of capitalism, the research focused on 1921-36 to assess the nature of foreign investments when Nigeria was still under colonial rule by the British. Next, the 1960s illustrated the developing countries' active participation in the export manufacturing world, and highlighted by the growth in the manufacturing sector of Nigeria's economy from 1970 to 1985 in the form of import substitutions. The 1993 survey questionnaire thus complements the previous two time periods, because these are not updated every year.

The physical growth of multinational corporations in Nigeria has been impressive. This study is based on primary and secondary data. The primary data were aimed at providing a partial benchmark for comparing investment and employment impacts of the NIDL in Nigeria, as provided by the annual industrial survey of foreign investors by the Nigerian Federal Office of Statistics, and the annual publication surveys of foreign private investors compiled by the Central Bank of Nigeria. The survey covered manufacturing establishments employing ten or more persons, giving information by a 3-digit code, the International Standard Industrial Classification (ISIC) of all economic activities, on the number of establishments, capital, total employment by category, value added, and so on. Both publications were often outdated by many years.

An alternative strategy for comparing the investment and employment impact of NIDL was to compare multinational corporations (MNC) with indigenous Nigerian companies (IND). An indigenous Nigerian company is one which is founded and owned by Nigerian citizens and managed either by such Nigerian or by a managerial staff appointed by and responsible to the Nigerian.

To bridge the gap in the limited data available on this subject, a survey sample of 30 MNC and IND was performed using the 1990 Industrial Directory. The questionnaire shown in the Appendix was administered by the researcher to the general manager or personnel manager of each company visited.. To provide representative data for this study, it is important to know the location of industries in the manufacturing sector in Nigeria. Table 1 provides the trends and locations of manufacturing industries in 1965 and 1969 (one year prior to the starting year of this study).

As can be seen in Table 1, greater Lagos is by far the most important industrial location in Nigeria. This industrial city accounted for 38 percent in 1965 and 50 percent in 1969 in the concentration of manufacturing industries in Nigeria. Kano, Kaduna, Port Harcourt, Ibadan, and the Sapele area range from 6 to 10 percent, and Aba stands at 4 percent. It can be seen that these seven important locations accounted for approximately 80 percent in 1965. The shares of Zaria, Jos, Nkalagu, Ewekoro, Enugu, and Abeokuta ranged from 1 to 3 percent; while Unuahia, Maiduguri, Onitsha, Ilorin, and Benin ranged from 0.5 to 1 percent; 18 of these locations accounted for about 95 percent in 1965.

In 1969, the trends could also be observed with Kaduna (14 percent) and Kano (11 percent), followed by Ibadan (6 percent) and Sapele (4.5 percent). Zaria, Jos, and Ewekoro ranged from 1 to 3 percent. Data for the cities in the eastern region were not available at the time due to the Civil War.[9]

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[9]Ludwig Shatzl, Industrialization in Nigeria (Munich, Germany: Welt Forum Verlag, 1973), p. 233.

TABLE 1

DEGREE OF INDUSTRIALIZATION AND LOCATION OF MANUFACTURING INDUSTRIES IN NIGERIA

Location		Number of Establishments	%
1965:			
	Greater Lagos	167	37.8
	Kano	43	9.8
	Kaduna	36	8.1
	Port Harcourt	34	7.6
	Sapele Area	29	6.5
	Ibadan	27	6.1
	Aba	18	4.0
	Zaria	11	2.5
	Jos	10	2.2
	Nkalagu	9	2.1
	Ewekoro	7	1.7
	Enugu	7	1.5
	Abeokuta	4	1.0
	Umuahia	3	0.7
	Maiduguri	3	0.7
	Onitsha	3	0.7
	Ilorin	3	0.7
	Benin	2	0.6
	Other locations	26	5.8
	Total:	442	100.0
1969:			
	Greater Lagos	234	50.0
	Kaduna	61	13.0
	Kano	50	10.6
	Ibadan	30	6.4
	Sapele	21	4.5
	Zaria	14	2.9
	Jos	10	2.2
	Ewekoro	7	1.6
	Other locations	41	8.8
	Total	468	100.0

Source: Ludwig Shatzl, Industrialization in Nigeria (Munich, Germany: Welt Forum Verlag, 1973), p. 232.

In consideration of these historical trends of manufacturing formation in Nigeria, the researcher administered the survey sample questionnaire in the following cities: Lagos, Kaduna, Ilorin, Benin, Sapele, Port Harcourt, Bauchi, Aba, Onitsha, Enugu, Nkalagu, and Umuahia. Further primary data came from United Nations (UN) publications, the World Development Report, and the Economic Commission for Africa. Secondary data were collected from the Review of African Economy, Economic Development in Africa, and Trans-African Forum. Several Nigerian magazines were also consulted: Courier, Newsweek, West Africa, Guardian. Textbooks on international relations, the international division of labor, and the world political economy were included in the study.

Theoretical and Conceptual Framework

A concrete analysis was required to critique the impact of the NIDL on investment and employment in the manufacturing sector of the Nigerian economy to produce the grounded research work for this study.

Most analysts generally agree that the NIDL is related to the structural transformation of the world economy, as recognized in varying fashions since the wave of recession and crises beginning in the early 1970s. Such institutional upheavals as the death of the Bretton Woods System, the "oil shocks" of 1973-74 and their accompanying shifts in investment capital, the competitive success of fully recovered Japanese and German economies—all combined in the seemingly endless web of descriptors identifiable with the NIDL.[10] The analysts also focus mostly on trade, especially on export platforms, and imply that the international division of labor is new principally for its reversal of the traditional division of labor in the international system. That is, the NIDL restructures the system so that the previous hewers of wood and drawers of water, the Third World raw material providers, started exporting to a substantial portion of the developed countries in the form of manufactured and processed goods, as well as labor. Another interpretation of the NIDL emphasizes the internationalization of the world economy as a function of the expansion of capital and its valorization and reproduction at a global level. Rather than treating the symptoms of change in the trade system, this structural analysis incorporates the multinational or transnational capitals based on the gain from trade and productive implications of international trade, to explain the internationalization of the world economy through the expansion of production itself.[11]

This concept further suggests, however, that TNC are merely agents, perhaps the most important ones of a process of international integration that crosses sectors and transcends mere trade relations or the power of a single firm. This does not mean that the internationalization of production eliminates concepts of nations and national economy. It does suggest, however, that the proper strategy for understanding the character of the NIDL involves the discovery of the specific mechanics of national insertion into the global capitalist system.

The problem of focus and level of analysis, to agree on any of the above analyses, remained. Following the above overview, the researcher sought a more specific conceptual clarity into the NIDL than that contained in Sanderson.[12]

The Internationalization of Capital Theory

Capitalism is now the dominant system of production. It is characterized by a system of social relations in which small groups of people who control the means of production employ relatively large numbers of people to produce the goods required for their collective reproduction. Their goal is to accumulate capital by producing profits. To

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[10]Stephen E. Sanderson, The Americas in the New International Division of Labor (New York: Homes and Meier, 1985), p. 8.

[11]Ibid., p. 9.

[12]Ibid., pp. 13-15.

achieve their objectives, capitalists attempt to control the state apparatus as well as the institutions and mechanisms for technological innovation. They also strive to restructure society and individual demands to make production more profitable while expanding the market for their own profit.

The social relations of capitalist production are characterized by conflict and crisis. The constant struggle of the several classes (within and between groups) to advance their own conflicting interests in controlling the social product is an inherent feature of capitalist society. This struggle dominates the evolution of production, conditions technological advances, and induces the appearance of new commodities during the continuing yet uneven process of capitalist expansion. In Africa, the struggle frequently pits workers who are uprooted from non-capitalist forms of production (e.g., artisans and farmers) against the local bourgeoisie committed to introducing and accelerating the advance of capitalism.

Capitalist expansion has reorganized and extended production to an ever-broadening range because of the imposition of its characteristic social relations. The production-for-profit ideology encompasses new social groups, new sectors of production, and new regions. This reorganizational process of traditional economies wrests control of production from self-employed farmers and artisans, and new industrialized products are substituted for homemade products. In this way, non-capitalist production is displaced by modern processes and products which require the enlargement of the wage labor force as the basis for capital's further expansion and control over society. The ability to sustain itself for expansion depends on its ability to find new ways to accumulate capital to promote its further growth.[13] Normally, as capitalists expand their markets for existing commodities, broaden the range of commodities they produce, and revolutionize their techniques, they reduce the work process and the number of workers. Competition obliges

[13]Ibid., p. 28.

firms to expand and innovate, as well as emulate the latest advances of industry leaders. Innovation and redevelopment are mechanisms that respond to worker organization and social struggles in the mature economies, as capital searches for new sources of surplus value.

This internationalization of capital process offered the best framework within which this study analyzed the growth process and its internal contradictions. At its initial stage, capital expanded internationally in search of new markets and new resources of labor power to employ in producing saleable commodities. In its international expansion, capital from the mature capitalist economies joined with national capitals everywhere. This meant building new productive apparatuses for manufacturing goods for world trade as well as local markets that emerged in the developing countries. This internationalizing process was a response to competition and to the sector of declining profit rates, thereby leading to the standardization of production that required producers to keep abreast of and respond to innovations by competitors. At the same time, it led to differentiation of products and techniques as each firm worked assiduously to get ahead by introducing new commodities, or changing production methods so as to increase its rate of profit.[14] In order to explain the effect of this internationalization of capital, the researcher used the theory of imperialism described in the Marxist-Leninist ideology (Figure 3). In his discussion on the internationalization of capital by the capitalist system, Lenin argued that capitalism was only interested in the highest rate of return.[15] In the advanced stage of development, the centers of capital became more saturated with investment, and the rate of return on new investments was relatively low. In this process, less-developed portions of the world

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[14]Walter S. Jones, The Logic of International Relations (Glenview, IL: Scott Foresman, 1988), p. 8.

[15]Ibid.

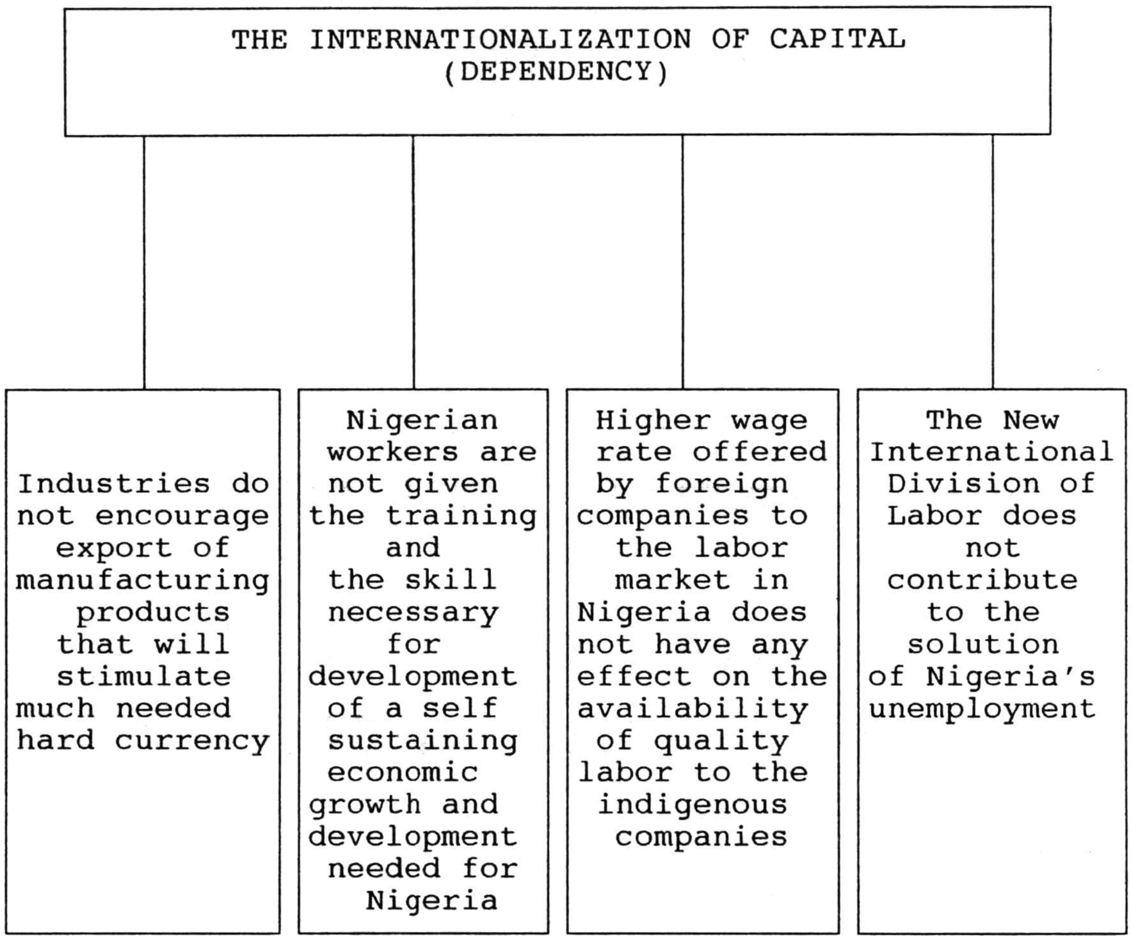

Figure 3. Theoretical framework and Hypothesis Module.

lagged behind in raising the level of exploitive efficiency, so that new capital would realize a higher rate of return. Therefore, capitalists began to compete with each other for investment opportunities and concomitant influence around the world. Imperialism, in this model, was mainly a search for high return investment opportunities for surplus capital.[16] The author defined imperialism as the monopoly stage of capitalism, and included the following essential features:

> 1. The concentration of production and capital developed to such a high stage that it created monopolies which play a decisive role in economic life.
> 2. The merging of bank capital with industrial capital, and the creation, on the basis of this "finance capital," of a "financial oligarchy."
> 3. The export of capital, which has become extremely important as distinguished from the export of commodities.
> 4. The formation of international capitalist monopolies which share the world among themselves.
> 5. The territorial division of the whole world among the greatest capitalist powers is completed.[17]

In this process, imperialism became capitalism in the stage of development in which the dominance of monopolies and finance capital established itself; in which the export of capital acquired pronounced importance; in which the division of the world among the international trusts began; and in which the division of all the territories of the globe among the great capitalist powers was completed.[18]

The other factor cited by the theorists of imperialism to explain the internationalization of capital was the search for markets for surplus production.[19] This suggested that the capitalist system of production rested on a fundamental inefficiency in distribution. In this case, the workers had to be paid less than the full value of their

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[16]Ibid.

[17]Paul R. Viotti and Mar V. Kauppi, <u>International Relations Theories: Realism, Pluralism, and Globalism</u> (New York: Macmillan, 1981), p. 442.

[18]Ibid.

[19]Ibid.

product if the capitalist was to retain a large share of production for profits. This made the workers unable to buy all that they produced. So, in addition to providing investment opportunities, less-developed countries could be made captive markets under the influence of matured capitalist countries. This historical analysis could also be seen in the trends of capitalist expansion, discussed in Chapter II.

A third reason for the internationalization of capitalism by the theorists of imperialism was the need to control the richest sources of raw materials.[20] Monopoly capital thus minimized the cost of production by suppressing wages and developing the cheapest sources of supply. The bounties of nature located in the underdeveloped world became important prizes for international capital.

This study has investigated whether internationalization of capital reduced Nigeria to the status of supplier of raw materials and cheap labor, as well as becoming the captive center of foreign investment and import dependency. The position of the imperialist theorists on this view is that capitalists reinforce their international position with a preponderance of physical might, controlling the governments of their own states and using this power to secure their own positions internationally. Further, according to these theorists, much of the international law was written by imperial states to protect their position. An example was the 1885 Treaty of Berlin, in which the European powers delineated the future legal borders within Africa.

Radical critics of imperialism do not accept the premise of capitalism as an appropriate basis for organizing the economy and society at either the national or international level. Thus, although the growth of MNC or TNC may logically follow from capitalism, radical critics focus on the disadvantages and evils of such companies and

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[20]Jones, The Logic of International Relations, op. cit., p. 9.

capitalism in general for parent and host states, as well as the international system.[21] They view the abolition of capitalism, either in parent states or in host states (according to dependency theorists) as the only sure way to control MNC.

The classical liberal theorists, on the other hand, typically stress that the benefits of direct investment outweigh some of its admittedly negative aspects. They feel that the problems associated with foreign investment can be alleviated or eliminated through more sensitive state and corporate policies. To them, the MNC and TNC are a logical and rational step in the evolution of capitalism and not a conspiracy among capitalists to dominate the world; rather, it is a response to opportunities for the pursuit of business activities in other countries. An opponent to this ideology, Harry Magdoff, stated that, "The underlying purpose of imperialism is nothing less than keeping as much as possible of the world open for trade and investment by the giant multinational corporations."[22]

This study examines the principal changes since the 1970s as the period which accelerated the internationalization of capital, with insight on TNC as the key agents in the international spread of technology, new commodities, and new forms for organizing production. It is important to emphasize that it is not TNC themselves which are the cause of the transformations described by the NIDL. However, the role being played by MNC and TNC in international arena brings into question whether the internationalization of capital has induced any structural transformations which promote the articulation of national capitalist economies into a coherent unified global system.

On this aspect of relationship between Nigeria and capitalist investment, this researcher questions if there is a lack of political dimension in the creation of world markets

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[21]David H. Blake and Robert S. Walters, The Politics of Global Economic Relations (Englewood Cliffs, NJ: Prentice-Hall, 1987), p. 104.

[22]Ibid., p. 206.

for production sites, without unifying both social and political dimensions. This relationship suggests that the capitalists assume a political unity in world economy, and give priority to the elements of the NIDL in structuring world capitalism. This kind of determinism is quite appropriate to the dependency assumptions of the center-periphery model of the world capitalist structure, which can encourage an economistic approach to world capitalist relations. This approach is exemplified in the following statement:

> This new international division of labor is an institutional . . . innovation of capital itself necessitated by changed conditions, and not the result of changed development strategies by individual countries or options freely decided upon by so-called multinational companies. It is a consequence and not a cause of these new conditions that various countries and companies have to tailor their policies and profit-maximizing strategies to these new conditions (that is, to the requirements of the world market for industrial sites).[23]

In this approach, the countries are being considered as actors, and capital loses its class location in its country. The debate on the content of the global unity, in which the NIDL is taking place, requires analysis of both historical aspects and current processes of the internationalization of capital within the global economy. This debate centers on the rationale of having a continuing primary producing/manufacturing international social division of labor among geopolitical regions, and superimposed upon this historic pattern the presence of the NIDL corresponding to the goal and requirements of the transnational production as the internationalization of productive capital proceeds. The principles of this TNC division of labor are essentially, as Stephen Hymer put it, "To maintain the separation between work and control, capital has erected elaborate corporate superstructures to unite labor in production, but divide it in power."[24] It is this researcher's opinion that, in this debate, what constitutes world unity determines the fulfillment by which the NIDL will

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[23]Edward Friedman, Ascent and Decline in the World System (Beverly Hills, CA: Sage Publications, 1982), p. 118.

[24]S. Hymer and R. B. Cohen, The Multinational Corporation: A Radical Approach (Cambridge: Cambridge University Press, 1979), p. 22.

operate in unifying the social, political, and technical dimensions. If one argues the world system—with its three-tiered political structure of center, periphery, and semiperiphery (i.e., if one presumes permanent geopolitical categories into which different states may fall)—one might conclude that, "World market-oriented industrialization of the underdeveloped countries through the establishment of free production zones and world market facilities has not meant any change in the historical process of underdevelopment, but in fact in its deepening."[25]

The issue of a semiperiphery in the international economy presents two aspects. Wallerstein emphasized that, from a political point of view, it was clear that a system which is basically unequal in nature needs a safety valve through which pressures from below can be neutralized. A middle category, like semiperiphery, serves this purpose by opening up possibilities for advancement for countries in the periphery.[26] This semiperiphery must be understood within the context of the ongoing restructuring of the international capitalist system and the resulting NIDL into which Nigeria was absorbed. The structural crisis of the international economy, evident in the 1970s, exerted substantial pressure on the industrialized countries, demanding new conditions for continued expansion of these economies. This is further explained by major dependency theories on political economy. Karl Marx described the process by which money and commodities transformed into capital, where the owners of money and the means of production confronted workers.

> The capitalist system presupposes the complete separation of the laborers from all property in the means by which they can realize their labor. As soon as the capitalist production is on its own legs, it not only maintains this separation, but reproduces it on a continually extending scale.[27]

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[25]Frobel, et al., The New International Division of Labour, op. cit., p. 403.

[26]Jerker Carlsson, South-South Relations in a Changing World Order (Uppsala, Sweden: Scandinavian Institute of African Studies, 1982), p. 11.

[27]Ronald H. Chicote, Theories of Comparative Politics (Boulder, CO: Westview Press, 1981), p. 412.

This view assumes that imperialism is the factor that shapes capitalist expansion. It argues that this process clears the way for the capitalist system to take away from the laborers the possession of their means of production. This process transforms the social means of subsistence and of production into capital, and turns the immediate producers into wage laborers. Thus, the political economy of the dependency theorists fundamentally addresses this broad historical sweep of capitalism and its exploitive nature.

It is on this background of capitalist accumulation and expansion that the researcher became compelled to adopt the internationalization of capital as the best explanation for the position of Nigeria within the NIDL. This approach encourages the understanding of the international mobility of resources, the international transfer of technology, and the global spread of the social relations of capitalist production, because they are integral parts of the social and productive dimensions of the dynamic world economy. Also, competition intensified as oligopolistic firms became better able to defend their interests, and national capitals everywhere had to become internationalized in order to survive. The national attempt to abrogate or modify the international laws of capital accumulation constantly changed the pace of global expansion, and these local efforts failed to alter the underlying pattern of expansion.

For this study, the internationalization of capital must be understood as a dynamic process of reproduction and growth. Within the less integrated parts of the system (sectors, regions, social groupings), the process of capitalist accumulation led to modification of productive structures, social relations, and even commodities.[28] This helped explain local as well as international production. It was assumed that the local accumulation processes were guided by the general laws of production and reproduction,

[28]Ibid., p. 414.

although each was unique because local sociopolitical, productive, and technical circumstances left a distinctive imprint on the universal drive to expand the capitalist market and increase the profit rate, tempting further penetration of capitalist expansion.

The theory, furthermore, emphasized how the internationalization of capital worked to remake society systematically in capital's image. The researcher was aware of forces at work on this transformation. Capitalist expansion was clearly incapable of productively absorbing the available labor pool into the proletariat, and most government were unable and unwilling to finance the social welfare programs. For all these reasons, the underlying tendency toward the internationalization of capital and the creation of a global proletariat had to be understood as tendencies, as social phenomena which provoked their own opposition and which would inevitably create greatly differing results in each country.[29]

Statement of Significance

The growth of Nigeria's economy is obviously an attractive concept. First, it would make Nigeria, on the average, richer, thus more generally interesting to investors. Second, it would give the entire continent more prestige and influence, recognition, and power in the world. That, too, requires investigation as to the future of this association and its expectations.

What really defines the membership of Nigeria within the NIDL? As trade is the obvious answer, it becomes necessary for the nature of goods bought and sold to determine the "real" membership. The significance of this study was to re-examine the nature of the capitalist countries; investments in Nigeria, and contribute an intellectual analysis of the pros and cons of internationalization of capital and its impact on Nigeria.

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[29]Sanderson, The Americas in the New International Division of Labor, op. cit., p. 34.

Therefore, the study was aimed at providing the academic community with an overall understanding of the emerging NIDL and its implications in the Third World economy. The researched hoped thereby to provide future guidance for researchers in this field, and help Nigerian decision-makers to construct and formulate national policies that will benefit from the NIDL and lead to way to continued improvement of the economy.

Methodology

Foreign investors have an enormous impact on the economy of most countries. But what has been their contribution to the economic development of Nigeria, particularly in the area of investment and employment. This is the heart of this study. How do these contributions compare those of IND with the overall goal of Nigerian development? The most recent National Survey available (1990) shows that there were 6,990 establishments with a total employment of 462,785 workers. This figure represented both foreign and indigenous establishments employing 10 or more individuals. Thus, they provided meaningful information on the impact of NIDL on investment and employment in the manufacturing sector of the Nigerian economy.

A survey sample of 30 companies, both MNC and IND, was selected using the 1990 Industrial Directory of Industries in Nigeria. Although it uses establishments, this study used the term "company." Since an establishment is a subset of a company, establishment will tend to show a smaller labor force.

A major purpose of many social scientific studies is to describe situations and events.[30] The descriptive approach relies heavily on scientific data. Using a case study and employing this technique ensures a systematic analysis of the various events and concerns. The units of analysis being investigated in this study are the individuals and the techniques and methods they employ to meet their objectives within the world political economy. The researcher, therefore, took the descriptive approach in his investigation in his analysis of the cause and effects under study. Through this approach, analysis can be directed at obtaining relevant findings to contribute to a better understanding of the issues. As the nature of the field under study was still very young, the researcher had to delve deep in order to establish data for future work in this area.

The measurement was operationalized by administering survey questionnaires measuring the number of employment generation (Figure 4), the wage rate effect (Figure 5), the nature of manpower development and training provided to Nigerian workers (Figure 6), and the nature and type of manufacturing investments (Figure 7). The questionnaires were used with many models of observation in social research, but were essential to and most directly associated with survey research.[31] Self-administered questionnaires were helpful in dealing with sensitive issues. Furthermore, questionnaires are known to have an important strength with regard to measurement.[32]

The questionnaire used in this study was designed to measure the effects of SEMW factors to determine the nature of investments and employment in Nigeria through the presence of MNC and TNC. The researcher developed the SEMW acronym as follows:

S = Sectoral investment

E = Employment generation

M = Manpower development and training

W = Wage rate

The objective of this method was that it would touch all the aspects of the study and embrace the root of the social problems—economic, labor, political structure, etc. It would also show the interrelationship between these social issues within them, and how these forces interacted with their global components.

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[30]Earl Babbie, The Practice of Social Research (Glenview, CA: Wadsworth, 1989), p. 75.

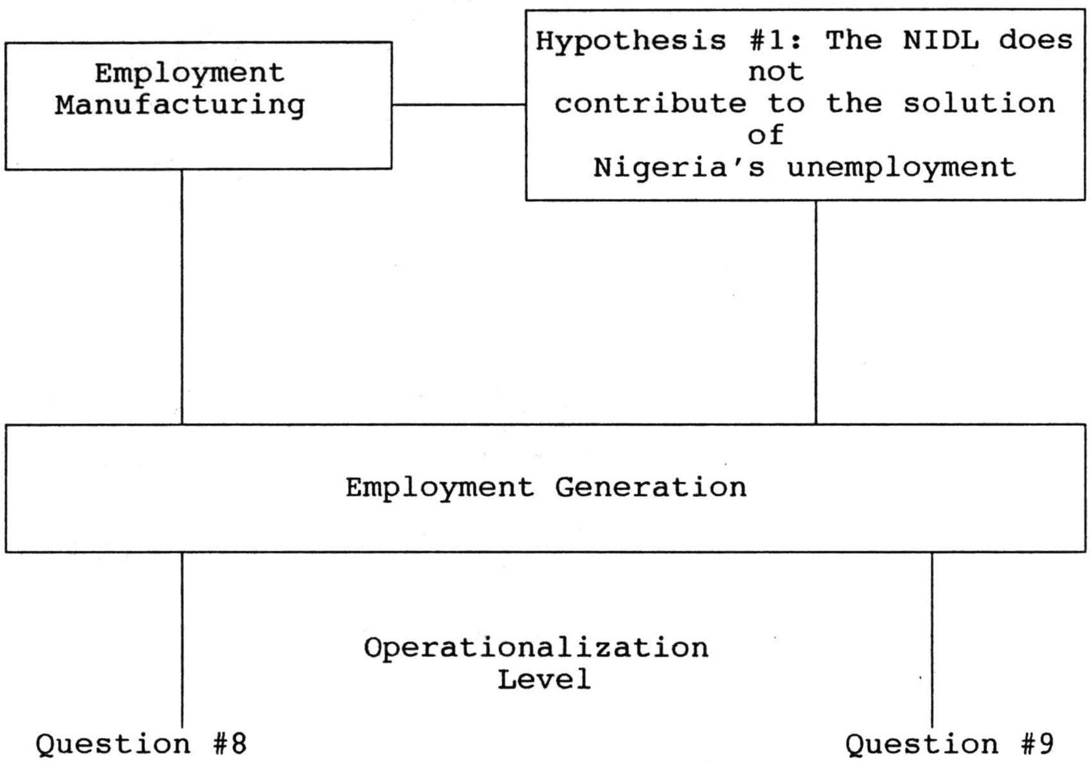

Figure 4. Employment in Manufacturing and Employment Generation.

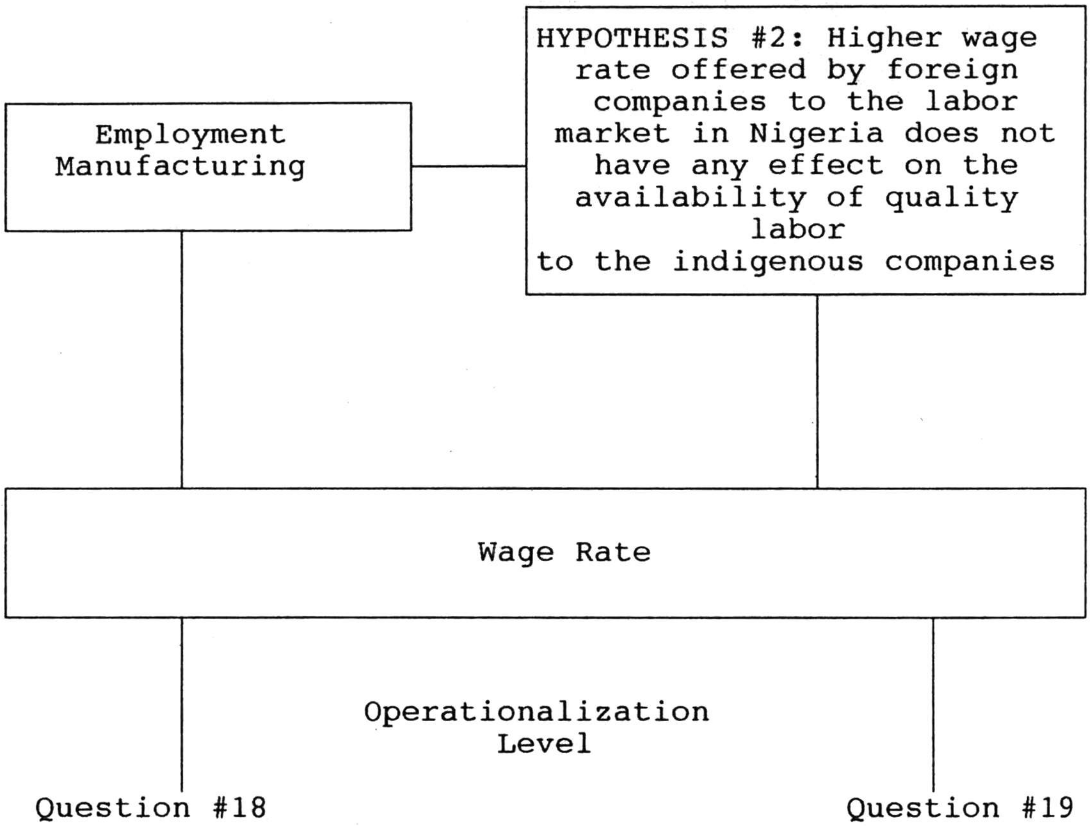

Figure 5. Employment in Manufacturing and Wage Rate.

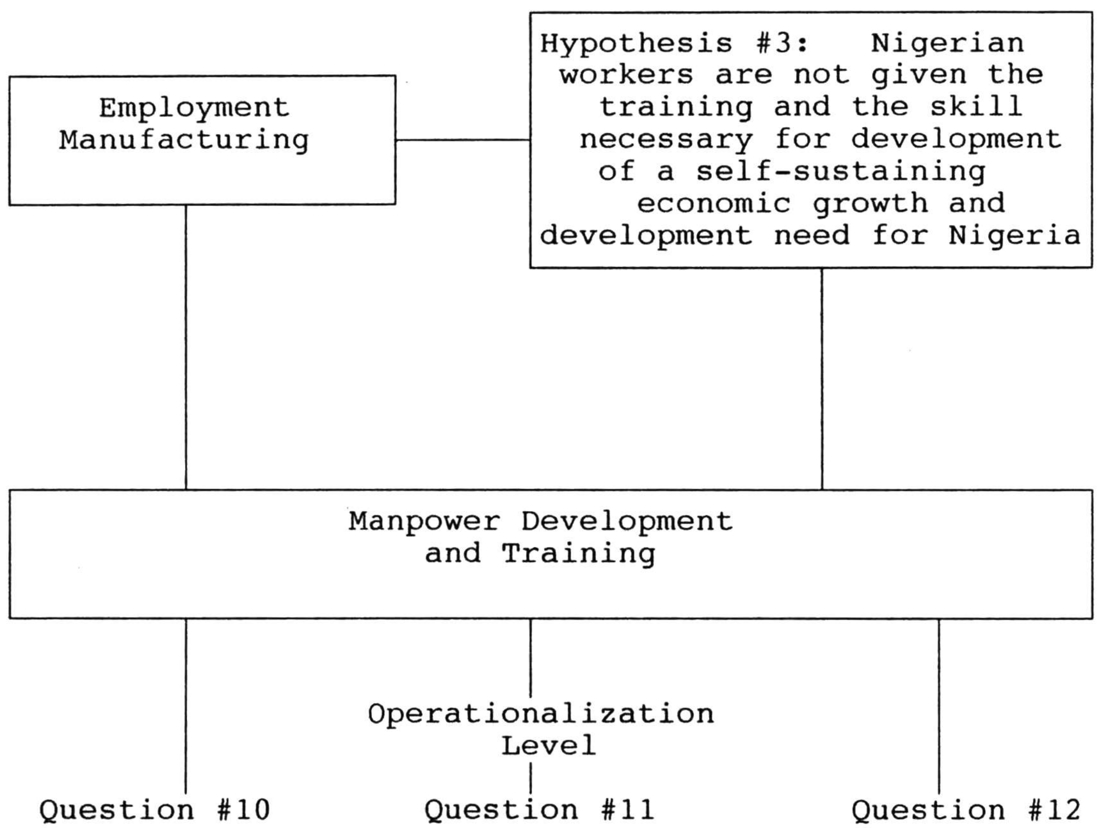

Figure 6. Employment in Manufacturing and Manpower Development and Training.

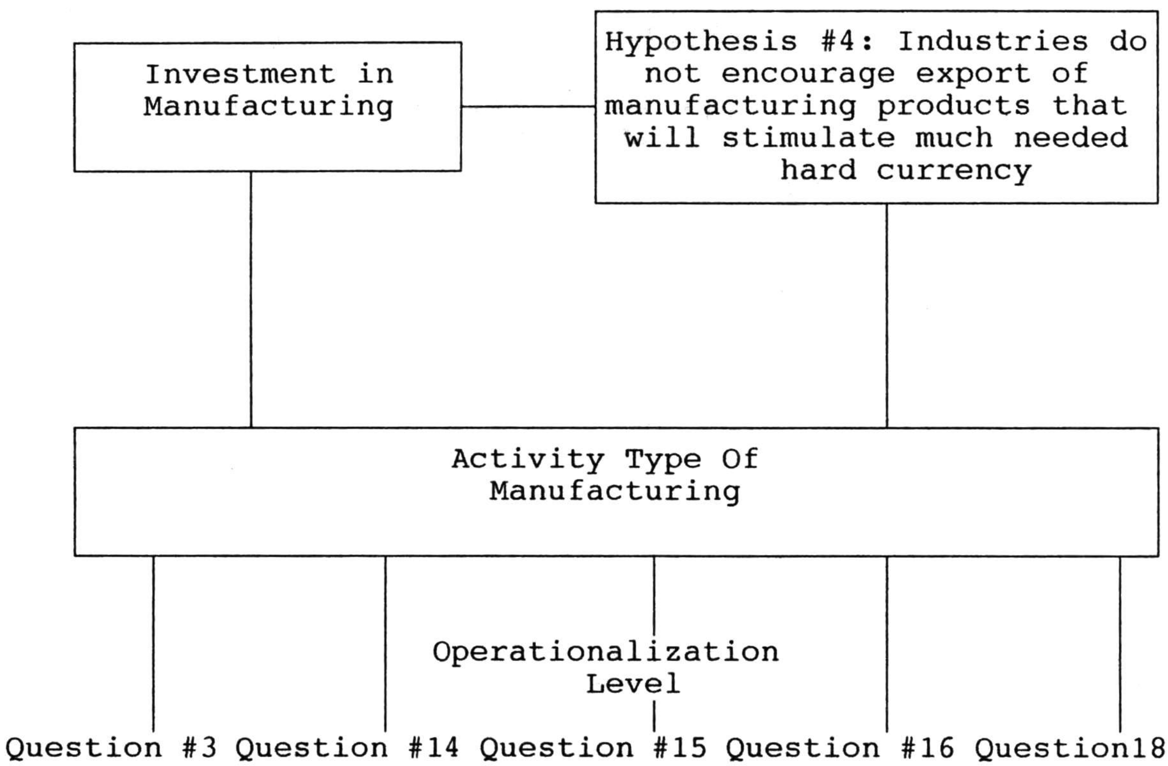

Figure 7. Investment In Manufacturing And Activity Type of Manufacturing.

This researcher is convinced that the world system is a working social system larger than any state, whose operations are themselves a focus of social analysis, and neither should any region be isolated or treated differently from such global forces. The manner in which states, firms, classes, and social institutions functioned within the framework and constraints of the world system was the selected topic of investigation of this overall analysis, particularly from the angle of the implications and the crisis of these variables in the Nigerian political economy.

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[31]Ibid., p. 204.

[32]Ibid., p. 232.

CHAPTER II

LITERATURE REVIEW

This chapter examines the capitalist development and the crisis inherent in the developmental process at the global level, and the manifestations of this development at the national level in Nigeria leading to the tendency toward the NIDL. This development and the relationship between the crisis and the restructuring of the means of production was a central issue in Marxist theory. This economic restructuring exercise was undertaken in response to the sluggish world economic crises of the late 1960s and early 1970s at the global level, and led to a spatial restructuring into different geographical scales, in turn leading to the tendency toward the NIDL. The issues discussed below are intended to explain the position of Nigeria within the ongoing NIDL. The researcher wishes to point out, however, that the history of capitalism was not really a smooth economic undertaking, although it triumphed more than any other system of economic production as witnessed by the collapse of the communist economic system of the Soviet Union. This chapter clarifies the argument at the global and national levels with implications for Nigeria.

Chapter III discusses the practice of their system of production and the Nigerian investment practices.

Historical Movement of Capitalism and the Trends of the Capitalist Movement

Historical Capitalism is, thus, that concrete, time-bounded, space-bounded integrated locus of productive activities within which the endless accumulation

> of capital has been the economic objective of law that has governed or prevailed in fundamental economic activity. It is that Social System in which those who have operated by such rules have had such great impact on the whole as to create conditions wherein the others have been forced to conform to the patterns or to suffer the consequences. It is that Social System in which the scope of these rules (the law of nature) has grown even wider, the enforcers of these rules ever more intransigent, the penetration of these rules into the social fabric even greater, even while social opposition to these rules has grown even louder and more organized.[1]

The capitalist world economy expands and contracts in what are called upswing and downswing cycles. This characterizes the changes in the organizational structure of the basic capitalist enterprise (Table 2).

During periods of economic upswing and boom, such as occurred in 1848-73 and 1945-73, the capitalist enterprise expanded through enlarging the basic firm. During periods of downswing and economic bust, as in the Great Depression of 1873-96, the enterprise also grew but through mergers of a number of different firms. Those years witnessed the appearance of the modern corporation and a transition from the more competitive capitalism of the earlier nineteenth-century family firm to the monopoly capitalism of the large-scale, multiunit corporation.[2]

The next sustained expansion of world capitalism came with the great boom period of 1945-73. With this upswing in the world economy came the firms growing through expansion. The corporations expanded their operations overseas and came to be known as MNC, which led the tendency toward the NIDL.

With the 1974-75 recession and continuing through the more severe recession of 1980 to the present, there appeared another period of sluggish growth and a general crisis

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[1]Immanuel Wallerstein, The Political Economy of Contemporary Africa (Norfolk, England: Melford Press, 1983), p. 18.

[2]Edward Friedman, Ascent and Decline in the World System (Beverly Hills, CA: Sage Publications, 1982), pp. 27-28.

TABLE 2

ECONOMIC CYCLES AND THE CHANGING SIZE OF INDUSTRIAL ENTERPRISE

Periods	Economic Cycles of World Economy	Growth of Industrial Industrial Enterprise by:	Predominant Types of Industrial Firms
1790-1873	Upswing	Expansion of basic organizational structure	Family firm
1880-1945	Downswing	Merging a number of separate organizational structures	Modern corporation
1950-1973	Upswing	Expansion of basic organizational structure	Multinational corporations
1974-present	Downswing	Merging a number of separate organizational structures	State-owned enterprises

Source: Albert Bergesen, in Edward Friedman, Ascent and Decline in the World System (Beverly Hills, CA: Sage Publications, 1982), p. 27.

in accumulation that would accompany another wave of mergers, such as MNC with MNC and, more significantly, MNC with some state enterprises. This study concentrated on the process that involved the causal interrelationship of economic expansion and contraction within the capitalist world economy. It was a witness to the very expression of expansion of business that occurred historically during upswings, which planted the seeds for excessive drive for competition and overproduction.

The ultimate resolution of this blockage in the accumulation process was crisis and downturn, where the failure of individual firms and the elimination of others through mergers allowed the accumulation process to move forward again. This "boom-and-bust" wave inherent in the capitalist system not only restructured industries but also pitted workers against owners.

The period of the 1970s to the present indicated that the capitalist world economy was going through a period of contraction and depression which resulted in a slowdown of expansion of industrial productive capacity. Through this unfolding dilemma, the NIDL intensified, and required the relocation of world income to increase demand and re-create the conditions for a further significant expansion of the forces of production.

The MNC are probably the most visible vehicles for this relocation process and the internationalization of the world economic system. As the economies of different nations became increasingly linked and integrated, the MNC seemed to become the institution best able to adapt to a transnational style of operation.

As used in this study, MNC are all firms—industrial, service, and financial—doing international business of all types within a myriad or organizational structures. "Multinational Corporations are a major result of and a prime stimulus for furthering the number and complexity of transnational interactions and relationships."[3]

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[3]Blake and Walters, The Politics of Global Economic Relations, op. cit., p. 94.

The behavior and conduct of MNC in the international arena have both economic and political concerns because of their impact on domestic as well as international systems. Many industrialized countries are concerned at companies who invest abroad, leaving their home country with unemployment. Some unions have attempted to obtain government action to reduce the ease with which corporations invest abroad. In various host countries, MNC have been accused of economic imperialism, fostering intercountry competition, and practicing unsavory business activities. In general, they have become the most visible and the most attacked members of the global economic system. However, at the same time, almost every country in the world would like foreign MNC, including the advanced capitalist countries, to invest in their country. Thus, they offer every incentive to attract them.

The debate on foreign capital investment in developing countries after World War II, and particularly since the 1970s, and the drive toward accumulation as a means of economic development, has been very intensive because of the crises inherent in this developmental exercise. The main debate centers primarily on different ideological beliefs and value judgments as to the meaning, nature, and processes that lead to economic benefit for the recipient countries.

While the proponents of foreign capital tend to believe in the efficient functioning of the free market system with no government intervention, the opponents are motivated by the desire for national control over major and strategic domestic economic activities and minimization of dominance and dependence on all foreign sources of capital, particularly private capital investment.

There is no doubt that such investments improve the economy of developing countries. However, the concentration of such financial power in the weak economies of developing areas such as Nigeria can threaten the country's national and political stability, as well as its independence and autonomy in the management of its economy.

> At the international structural level, the multinational corporations and the multinational capitalism dominate both directly and indirectly the center and the periphery, and the characteristics of the relationship between the center on the one hand and the periphery on the other hand is asymmetric. In the MNC's overall process of dominance and exploitation, the state apparatus of the developed countries come forward with administrative, legislative, economic, political, and military measures and intervention. The uncontrolled accumulation, development, and promotion of capital and technology during the last three decades has enabled the industrial financial commercial capitalism to attain the power of dominance and control to such an extent that it can control this influence, and guide both the national and international state apparatus in its interests. Through product development, the MNC capitalism creates new demands and again, through mass production on giving social character to production, it also controls the supply function to social demands of most of the nations. Since the needs-satisfaction, in our highly monetized modern societies, depends on the possession of purchasing power or income, the MNC's capitalism has succeeded in exercising control over the price mechanism on the one hand and the demand and supply on the other hand in such a way that the realization of profit is maximized.[4]

The concern is that MNC always choose capital-intensive techniques in the developing world; that is only good to their companies but not to that country as a whole. Thus, they constitute the most advanced form of capitalist production and, as such, illustrate many of the tendencies of the development of the capitalist system. This retarded the local semi-intensive techniques and caused unemployment on a huge scale. Despite nationalization and indigenization decrees, MNC dominate major exports of developing countries such as oil, copper, bauxite, bananas, tea, coffee, cocoa, to name but a few. A report of the third meeting of the Advisory Group on Economic Matters (sponsored by the Commission on the Churches' Participation in Development, World Council of Churches, Geneva) on TNC technology and human development stated the following:

> TNCs are profit-oriented and so is their use of technology. The transnationality of business has allowed TNCs to act to reduce costs and maximize growth and profits on a global scale. They go where costs of production are lowest and expected gains highest. They can, therefore, benefit from the low cost of labor

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[4]G. Amalanda and A. Vivekananda, Development Alternative (Stockholm, Sweden: Bethany Books, 1985), p. 210.

> and from the political and economic vulnerability of third world and weaker industrial countries, and can shift investments and technology according to the logic of global interests, even if these shifts prove harmful to the level of employment and the balance of payments to their countries of origin.[5]

It can be seen that the debates about developing countries at the international arena using MNC in this internationalization process of capital were full of promises as well as frightening. For example, some major scholars from Latin America suggested that what was needed in the peripheral states such as Africa was the "do-it-yourself" method; i.e., a non-foreign system that could address African countries' needs in their own way.[6]

Some authors suggested that few African states with labor and critical raw materials would emerge as potential prospects in the NIDL. According to Wallerstein, semiperipheral countries like South Africa, Zaire, Nigeria, Algeria, and Egypt would emerge as significant producers of industrial products not only for their home markets but also for their neighboring countries.[7] This increased income would represent part of the worldwide expansion of effective demand for the products of the core countries. If Nigeria had been sucked into the world economy at this stage, in such a subordinate situation, then the NIDL could be interpreted as a masked type of industrialization. A situation exists wherein the Ivory Coast imports French Peugeot cars assembled in Nigeria, and Nigeria imports from the Ivory Coast building materials manufactured by French companies in Abidjan. All serve the interest of the core countries, while undermining the economic growth of the recipient country. Higgott argued, on the same platform, that the prospect of

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[5]Report of the Meeting of the Advisory Group on Economic Matters, held in Rome, Italy, October 1980, sponsored by the Commission on the Churches' Participation in Development, World Council of Churches, Geneva, Switzerland (Geneva, Switzerland: World Council of Churches, 1976), p. 30.

[6]Ferrel Heady, Public Administration: A Comparative Perspective (New York: Marcel Dekker, 1984), p. 127.

[7]Wallerstein, The Political Economy of Contemporary Africa, op. cit., p. 296.

African incorporation extended at best to only a few states, notably Nigeria, Ivory Coast, Kenya, Algeria, and Egypt.[8]

There are numerous reasons why so many people think that it is difficult to incorporate Africa into the ongoing NIDL. One of the reasons stems from the small market size, too small for TNC to invest in except when they operate on a regional scale. Another factor is political conduciveness. According to Higgott, the weakness of Africa's state structures and its largely anticapitalist ideology—even in governments coupled with its ethnic, religion, and regional problems—made Africa unattractive for the West to risk its investments.[9] Colonial linkage was another factor quoted in the literature. According to Ndongko, Africa still has much in common with its former colonial masters, and most of these Europeans are core competitors of some of these MNC.[10] In most cases, African orientation in the ongoing division of labor has been one of agricultural or raw material producer, and not a manufacturer of goods. In fact, production of finished goods for export or of components for assembly abroad is rare. Most African manufacturing is in the area of light consumer goods for the home market.

The Use of OPEC as Leverage by the Third World in Negotiating for a New Division of Labor

The question that always comes to mind is why the Third World countries have failed to maximize their position in global economic and political relations despite abundant natural resources. The dispute over the command and acquisition of their economic resources on this issue varies. It may be the result of their own social-political-economic

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[8]Higgott, "Africa and the NIDL," op. cit., p. 290.

[9]Ibid., p. 296.

[10]Wilfred A. Ndongko, Africa and Third World Economic Development (Stockholm: Bethany Books, 1988), pp. 23-24.

choices, or of a conscious policy on the part of advanced industrial states to exploit them over several centuries, or of the rich states' preoccupation with economic relations among themselves and their relative neglect of the impact of these relations on the poor states of the Third World. It is important at this point to address the only alternative strategy that the Third World has ever employed for their share of the benefits of international economy.

The oil cartel administered through the Organisation of Petroleum Exporting Countries (OPEC) has been the most successful exercise of leverage utilized by the periphery in the global political economy resulting in the demands for a New International Economic Order (NIEO) in the UN.

The starting point of this OPEC-NIEO dichotomy overview should be the UN, because it is the only vehicle that unites both the Third World and the developed world into common agreements to rules governing the world community. It is also the center of analysis, because it is a vehicle to carry out international law. The NIEO was a political and economic call by the Third World countries demanding a reformation of the existing economic order within the UN formed by the industrialized countries in 1944 at Bretton Wood. "The developed countries should encourage investors to finance industrial production projects, particularly export-oriented production, in developing countries, in agreement with the latter and within the context of their laws and regulations."[11] Since its goal was to effect a new international economic structure so as to increase the share of the developing countries in world industrial production, the politicoeconomic forces shaping the global division of labor had to be analyzed. The understanding of the NIEO lies in the principles governing the UN and how these principles affected the Third World.

The original purpose of the UN was to maintain international peace and security through the specific settlement of disputes, as witnessed by the two World Wars. The

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[11]Friedman, Ascent and Decline in the World System, op. cit., p. 115.

preamble to its Charter called for the UN to promote social progress and a better standard of living, and to employ the international machinery to promote the socioeconomic progress of all people. Article 13, for example, provided for the General Assembly to initiate studies and make recommendations for, among other things, international economic cooperation. Article 22 provided for the General Assembly to establish such subsidiary organs as it felt necessary for the performance of its functions.[12] Articles 55 through 60 addressed international socioeconomic cooperation, and Articles 61 through 72 established the socioeconomic council (ECOSOC) as one of the principal organs of the UN.[13]

The call for NIEO was led by the demand of the OPEC states for the convening of the seventh special session of the UN General Assembly, a few months after the oil price hikes and the Arab oil embargo of 1973, to address the problems of raw materials and development in the Third World.[14] One of the subjects at this session was the UN's "Declaration on Establishment of a New International Economic Order," which was of particular interest to all Third World States.

> The essence of this official demand for a new order is a call for the redistribution of the world's wealth and economic opportunities, reparations to foreign-dominated states, and restructuring of the international economic system and its institutions to guarantee that the interests of developing states are directly taken into account. The new order is to be based on the principles of equity, sovereign equality, interdependence, common interests and cooperation among states.[15]

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[12]Leland M. Goodrich, Edward Hambro, and Ann Patricia Simons, Charter of the United Nations: Commentary and Documents (New York: Columbia University Press, 1969), pp. 186-191.

[13]Burton Y. Pines, A World Without the UN Heritage (Washington, DC: Heritage Foundation, 1984), p. 2.

[14]Blake and Walters, The Politics of Global Economic Relations, op. cit., pp. 185-186.

[15]C. B. Gwin, "The Seventh Special Session Toward a New Phase of Relations Between Developed and the Developing States," in R. Mortimer, ed., The Third World Coalition in International Politics (Boulder, CO: Westview Press, 1984), p. 100.

OPEC states declined western initiatives during 1974 to negotiate an orderly oil production and pricing scheme to reduce turmoil in the international economy. This was the first time that the Third World challenged the world economic system in a decisive form. Through this opportunity, OPEC succeeded in creating negotiations based on an expanded agenda that addressed the gamut of less-developed countries' commodity trade, industrialization, international financing interests, as well as oil production and pricing. Further, the OPEC states linked the threat of further oil price increases in late 1975 to the western states' willingness to negotiate seriously with the Third World within the larger framework.[16] Indeed, OPEC demonstrated its capacity to employ the oil weapon with political success. The following demands of the Third World through the NIEO were vital to this study:

> 1. Liberalization and extension of the generalized System of Preferences for less-developed countries' exports of manufactured and semi-manufactured goods to advance industrial states.
> 2. An increase in the less-developed countries' share of the world's industrial output to 25 percent by the year 2000.
> 3. Development of an enhanced research and development capacity within less-developed countries.
> 4. Enhancement of science and technology transfers more appropriate to the particular needs of less-developed countries at reduced cost.
> 5. International regulation of multinational firms to prevent their most pernicious impacts on the social, cultural, economic, and political development of poor states.[17]

In addition, the NIEO demanded alterations in the standard of conduct and norms governing economic relations such as resource transfers, possession and disposal of their wealth and natural resources, and their overall economic activity. Another dimension of less-developed countries' demand for NIEO involved institutional reforms to enhance their power in international economic decision-making.

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[16]Ibid., p. 186.

[17]Ibid., p. 194.

Most Third World countries had not obtained independence when the major international economic institutions were established after World War II, and were thus unable to exercise much influence over the formulation of international law or the operation of international organizations affecting directly their conduct within the new international economic relations. So what were the advanced capitalist countries expected to do within the framework of the NIEO? In fact, a new international order along the lines advocated by less-developed countries would constitute wholesale redistribution of resources and politicoeconomic power in the international system from the advanced industrial states of the West to countries in the Third World. For this reason, western capitalist states could not be expected to move voluntarily toward a comprehensive implementation of the NIEO. The western states were opposed to a massive restructuring of international economic institutions and the norms of behavior that, in their view, had served most states well. The advanced industrial states would rather respond to the NIEO demands by agreeing to highly specific selective reforms in international trade, finance, or investment relations that took into greater account the particular economic needs of less-developed countries, and with which the most-developed countries were in agreement. The United States, in particularly, were opposed to the NIEO assumption that underdevelopment was primarily a result of the present inequities in the international economic system, but rather felt that the problem lay in obstacles of the less-developed countries' domestic policies.[18]

So what was new about NIEO demands? For one thing, it provided a political legitimacy and a more coherent rationalization for bolder regional and national policies of less-developed countries in their foreign economic relations as a collective entity. The whole process of the NIEO demands by the Third World countries from the 1974 "oil shock," through the 1974 sixth session of the General Assembly and to the 1975 seventh

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[18]Ibid., p. 197.

session of the General Assembly, resulted in bargaining between the rich and the poor countries in terms of industrialization, science and technology, food and agriculture, and the reorganization of the UN's social and economic structures. Robert Mortimer summarized it as follows: "The whole process from September 1973 to September 1975 further developed a division of labor between the two Third World negotiators, the group of 77 and the non-aligned groups in their pursuit."[19] Such a division of labor was particularly apparent as the two negotiators were trying at least to get something from the industrialized countries. Thus, the UN Industrial Development Organisation (UNIDO) became the instrument of the UN in channeling these developmental strategies to the Third World. The platform adopted at the Algiers meeting called for UNIDO's renovation in the following form:

> The new division of industrial activities envisaged in the New International Economic Order should permit all the developing countries to industrialize with the aid of an effective international institution. . . . It is therefore necessary to enlarge the attributions and field of activities of the UNIDO and . . . to develop substantially its autonomy and resources. . . . Towards this end, it is recommended that UNIDO be transformed into a specialized agency.[20]

UNIDO's activities were designed to include research, training, pilot projects, surveys, technical aids, data gathering, analysis, and exchange of information.

The outcome was that the Third World emerged with at least a sound collective bargaining platform with regard to the NIEO demands. It appears, however, that they did not accomplish their best expectations. One profound consequence of this process was that it intensified the tendency toward NIDL with UNIDO as a vehicle of implementation. This resulted in a wide variety of methods of capitalist penetration into Third World economic systems through such means as free production zones practiced in the Third World. The

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[19]Robert Mortimer, The Third World Coalition in International Politics (Boulder, CO: Westview Press, 1984), p. 70.

[20]Ibid., p. 62.

free production zones and the world market factories represented a new element in NIDL. The purpose was to create production sites for the industrial utilization of labor forces of the developing countries for the purpose of world market oriented production.[21]

The industrial utilization of the labor forces of the underdeveloped countries for such production took place in world market factories, and the factory of the free production zones in the world market factories. The worldwide tendency toward industrialization of underdeveloped countries was part of the process within the structural tendency toward NIDL. Hence, the free production zones revealed that the tendency was toward world market industrialization. Furthermore, it created competition as countries used every incentive to attract investors. UNIDO was, thus, the main agent in facilitating this free production zone internationally as a logical requirement for development. Its concept of the free production zone with its worldwide applications was outlined in UNIDO's basic document,[22] whose content was nothing more than a valorization process of capital. The selection of sites and the establishment of free production zones, their provision with equipment and an infrastructure, the removal of the granting of investment incentives, were all justified, derived, and advocated from the point of view of the interests of private capitalist companies. The document quite clearly emerged from the problems of the valorization of capital, which have continued unabated by increasing international competition. Five spheres were identified in which free production zones would provide the capitalist system with world market production. Thus, foreign manufacturers with world markets, particularly pressed by the increasing level of labor cost on the one hand

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[21]Leroy Bennett, International Organizations (Englewood Cliffs, NJ: Prentice-Hall, 1988), p. 245.

[22]UNIDO, Industrial Free Zone as Incentive to Promote Export-Oriented Industries. Training Workshop on Industrial Free Zones, ID/WG 112/3, October 28, 1971, Lagos, Nigeria.

and the sharpening of the international and national competition on the other, were seeking ways and means to cut down or minimize their manufacturing and distribution costs. Should they advance their base of manufacturing to a suitable free zone? Some of the following might have been factors in their decision:

(a) Cutdown of raw material transportation costs;
(b) Cutdown of finished products transportation costs;
(c) Cutdown of labor costs;
(d) Availability of abundant qualified labor power;
(e) Reduction of initial investment cost and consequently lower percentage of so-called sleeping capital, through the available fiscal and physical incentives, common and general services and other preferential treatments provided in the zone, etc.[23]

As a basic structure for free production zones, UNIDO recommended technical equipment, commercial, and financial incentives:

- Full exemption of duties and taxes for a certain given period, on all machineries and production equipments as well as on the raw materials and components required for production activities in the zone. . . .
- Income tax exemption of 5 to 10 years. . . .
- A special period of holiday or reduction on other direct and indirect taxes, surtaxes, surcharges, etc., payable by enterprises if not located in the free zone.
- Freedom of foreign exchange control with a guarantee of the same status in the future, and with the assurance of free repatriation of earned profits up to a certain fixed annual rate of percentage.
- Preferential financing facilities, such as the provision of short, medium and long-term loans with advantageous rates of interest, provided they are required for the establishment of the industries in the zone, including the construction of non-standard factory buildings.
- Preferential tariff rates on transportation costs between the zone and the sea- or airports of arrival or departure in the country, as well as on the cost of utilities, rents of ground and buildings (standard factory buildings), common and general services charges, etc.
- Possibilities of renting or purchasing preconstructed standard factories and office buildings or spaces, according to the wishes of the industries. This could relieve the investors from spending their investment capital on long-term fixed assets, or in other words, minimize their amount of sleeping capital.

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[23]Ibid., p. 8.

- The availability of work and repairships, canteens, medical services or clinics, banking services, post and telecommunication services, petrol stations, patrol and security services, public warehouses, transportation and forwarding agent services, cooperative insurance services, recreation facilities, etc., all established in the zone for the benefit of the inhabitants and their workers, would amount to a considerable portion of reducing the work as well as the initial investment to bring a kind of physical incentive to the investors.[24]

In response to the above, the multinationals operating in all the free production zones were equipped with the features suggested by UNIDO. It was this combination of features, together with production exclusively for the world market, which came to distinguish free production zones from other industrial sites in developing countries, while endowing the zones with their special enclave nature. The provision of a modern infrastructure and the granting of tariffs, tax, and currency-related privileges facilitated the utilization of labor in regions where—outside the limits of the free production zones—none of the preconditions for profitable production were present apart from the labor force. Through the free production zones, four important goals were named as being attainable: creating new jobs and eliminating unemployment, creating a skilled industrial work force and providing access to modern technology, increasing foreign exchange receipts, and providing a wider scope for developing countries to conduct their foreign trade policies. Further, UNIDO expounded a set of goals to be achieved through free production zones, by combining several reasons:

a. a part of an overall industrial development program of the country or of a certain region of the country;
b. a measure for solving the unemployment problem by the creation of new labor opportunities;
c. stimulation of development of export-oriented industries to increase export volume and foreign exchange receipts;
d. acquirement of modern industrial techniques from abroad through which the leveling up of the domestic industrial standard may be achieved;
e. encouragement of new industrial investments from domestic as well as foreign capital markets;

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[24]Ibid., pp. 16-17.

f. means of a concentrated and rational development of infrastructure with the industrial free zone acting as an industrial pole.[25]

According to the ILO report, the employment policy pursued in the free production zones and the world market factories was incapable of effecting a reduction of unemployment within the free production zones.[26] Experience and foreseeable trends seemed to suggest that exported-oriented industrialization as it was developing in free production zones and world market factories did not reduce the problems of unemployment, untrained labor force, and lack of modern technology. With the exception of a few countries in Southeast Asia, the creation of specific job opportunities in export-oriented production could not be equated with a general reduction in unemployment.

Relationships between the advanced industrialized and Third World countries in economic issues have always been fraught with stalemates and frustrations, as evidenced by the trade relations between the Third World and the advanced industrial countries within the General Agreement on Tariffs and Trade (GATT) formed in 1948 in Torquay (England). This frustration stemmed from the number of trade malpractices by GATT which the Third World claimed hindered its economic development, relegating them to a subordinate position within the world economic system; i.e., the Third World claimed that the tariff structures of most developed countries institutionalized within GATT all worked against its own economic development. As one author put it, "These cascading tariff structures and other trade policies of advanced industrial states impose a particularly severe barrier to goods that less developed countries are most capable of producing for export—agricultural goods, semiprocessed commodities, and labor-intensive consumer goods."[27]

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[25]Ibid., p. 7.

[26]ILO, Employment, Growth, and Basic Needs: A One-Word Problem (Geneva: Springer, 1976), pp. 18-19.

[27]Harry Johnson, Economic Policies Toward Less Developed Countries (Washington, DC: Brookings Institution, 1967), p. 56.

Tariff rates were overall higher for more easily produced consumer goods shipped to the Third World than for raw materials which the latter could export. Even when alterations were made in trade relationships between the Third World and advanced countries—such as the "Tokyo Round" on the GATT principle dealing with relaxation of some tariff structures, the nondiscrimination and reciprocity method—such negotiations always placed the Third World at a disadvantage by the necessity to offer rich states an equivalent tariff reduction from the advanced countries. In support of the Third World on this reciprocity bargaining negotiation on trade relations, the following statement was made:

> The developing countries, of course, have had no bargaining power, politically or economically. The rule of reciprocity has required them to give a matching concession, but clearly they are not in a position to give any. Tariffs on industrial products of interest to industrial nations have been gradually brought down, those on products of interest to developing countries have remained at a high level.[28]

The reality of this type of negotiations was one of inequality, because the call was for equal competition among fundamentally unequal economic units. Such negotiations always ended without positive achievements toward solving the Third World problem. In fact, wider global negotiations on similar economic issues have always ended thus. For example, the Cancun summit, whose objective was to open the way for global negotiation on economic issues and particularly to persuade the United States to change its position of free market as a prescription for Third World Development, to one of offering some basic economic welfare to the world's suffering people so as to foster development, was also a failure. According to Mortimer, "Cancun was a colossal flop. Rather, Reagan used Cancun as an opportunity to reiterate his faith in the free market as an allocator of the global

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[28]Blake and Walters, The Politics of Global Economic Relations, op. cit., p. 36.

wealth."[29] What Reagan gave the Third World at Cancun was his confidence in the existing international agencies as the appropriate forum in discussing economic development.

The final analysis was that the liberal trade and economic policies, as a means of economic development, was not successfully challenged by the Third World countries. The political appeal also diminished for such broader world negotiations as each country positioned its relations in terms of trade and economic development so as to be conducive to its own interests. The leadership of OPEC as a joint OPEC-Third World bargaining platform with industrialized countries during the 1970s provided moderately successful in challenging the existing liberal trade and economic policies that were unfavorable to the Third World. However, this success eroded in the 1980s as OPEC became more impotent as a bargaining power within the world economic system due to oil crises, the growing world economic recession, and the differing ideological beliefs among Third World countries in approaching economic development with the industrialized nations.

Nigeria in the Changing Division of Labor

The specific data analysis of the changing division of labor in the case of Nigeria, and a focus on foreign investment in its manufacturing sector, will be presented in Chapter III. Membership and states' relative positions in the world economic system determined how the state was viewed internationally. Nigeria, thus, was a peripheral state in the capitalist economy. Further, it could not divorce itself from the historical implications of capitalism in Africa. As the largest populated country in Africa, rich in minerals as well as raw materials, its position as an economic interest for capitalist exploitation made it even

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[29]Mortimer, The Third World Coalition in International Politics, op. cit., pp. 163-164.

more vulnerable for further exploitation; however, the control of the rich economic endowment of Nigeria caused a problem.

Using Africa as an Example, Ake stated that, "At independence, there was clearly a state of disequilibrium because national leadership had just captured political office while economic control of the economy still remains in the hands of the Western Capital."[30] What was happening there was quite different from the capitalist system. The historical flourishing of capitalism was founded on its success in translating its economic power into political control. On the other hand, most African leaders used political power to control the economic power of the state, This might well be the reason for the many coups as well as the political and economic instability. Lacking an adequate economic base, they became permanently cast into the dependency situation. Thus, at the global level, Nigeria was a raw material producers like the rest of the African states after independence. Samir Amin threw more light on this. "Western capitalism during and after the so-called political independence cast African nations into permanent producers of raw materials with the sole purpose of satisfying the economic demands of the metropolis, leaving each colonial economy to be characterized and dominated by one primary product."[31] The major spokesperson on this classical division of labor put it this way: "Thus, the international division of labor bequeathed a legacy of raw material production and export to the colonies without any infrastructural base for processing them. The concomitant result was that the colonies produced what they did not consume and consumed what they did not produce."[32]

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[30]Claude Ake, A Political Economy of Africa (New York: Longman, 1981), p. 140.

[31]Ibid., p. 201.

[32]Alex Danso, "The Causes and Impact of the African Debt Crisis," Review of Black Political Economy, 1990, vol. 19, no. 1, p. 5.

It can thus be seen that the subordinate position of Nigeria as of its independence affected its relationship to the world economy and its tendency toward NIDL. To understand fully the position of Nigeria in the world economy, its past in the world economy must be studied. Nigerian economic development can be divided into four phases.[33] The precolonial and early colonial periods were characterized by economic stagnation, followed in the first three decades of the twentieth century by pronounced economic expansion. However, this was interrupted by the world economic crisis of World War II (see Table 2, p. 32). This period of downswing and economic stagnation caused by exogenous factors between 1929 and 1945 was succeeded by renewed economic expansion in the following two decades, which came to a temporary halt during the Nigerian civil war of July 1966 to January 1970. The oil boom of the 1970s attracted foreign investment to Nigeria and, despite its sluggish economic recession of the 1980s to the present, its oil production, raw material, and manpower availability remained the focus point of capitalist investment.

Economic activity during the precolonial and early colonial period was largely restricted to the production of subsistence crops or goods for local consumption. The methods utilized were primitive and, despite some trade connections with North Africa via northern Nigeria, West Africa through western Nigeria, and East Africa through the neighboring country of eastern Nigeria, Cameroon. The interregional and international exchange was unimportant. Unrestricted slave trading provided the most significant and tragic connection with the outside world from the sixteenth to the beginning of the nineteenth century. Increasing imperial European influence—mainly from Great Britain—transformed the economic, political, and social structure of Nigeria. The first three decades

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[33]G. K. Helleiner, Peasant Agriculture, Government, and Economic Growth in Nigeria (Homewood, IL: Richard D. Irwin, 1966), p.19.

of the twentieth century saw an economic growth which was primarily stimulated by agricultural exports. A distinct regional division of labor specialization became noticeable in the production areas of ground nuts and cotton in the North, cocoa and palm kernels in the West, palm oil and palm kernels in the East. The exportation of these agriculture products could not be completed without an investment infrastructure. The two entities responsible for this were the Royal Niger Company and the British Colonial government. They were the first to invest in the exportation of these products, and hence stimulated economic expansion. The colonies of the Lagos protectorate were placed under British rule in 1861, and the protectorates of southern and northern Nigeria in 1900.

The present Nigeria resulted from the infusion of these three protectorates in 1914.[34] Was Nigeria ripe enough to be integrated into the world economy at that time? Obviously, the answer was yes. Their products were in great demand in the world market. However, certain preconditions had to prevail so that the capital would be rightly invested in the capitalist mode of production: cheap labor, minimal skills, transportation, and communication. The first two variables were very much available. Labor was cheap, as Nigerians had never been exposed to the capitalist market. They already knew how to plant and harvest the products, and thus needed no training by the investors. The third issue concerned the way to extract these products from the hinterland to the sea ports so they could be shipped overseas. Traffic development, especially railway construction, was an important prerequisite for progressive development of the export sector. Construction on the first railway line began in 1898 in Lagos; in 1901 in Ibadan, the center of the cocoa-growing area, and in 1911 in Kano which lay at the center of the groundnut region. A

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[34]B. Onimode, Imperialism and Underdevelopment in Nigeria (London: Zed Press, 1982), p. 35.

second railway line linking Port Harcourt with the coal mines of Enugu in 1916 was extended to Kaduna after World War I.

The growth of agricultural production for export did not result from a reduction in production of goods for domestic competition. Rather, it came from the increased employment of the previously unused production factors of land and labor.[35] According to Shatzl, the price offered by foreign trading companies for agricultural products sold on the world market, as well as the accompanying demand for imported goods stimulated in the indigenous population by those companies, caused the peasant farmers to substitute leisure for work.[36] Most populations affected by this subsistence on export products were those within the traffic flow of the export line products.

The period of economic growth was suddenly interrupted in 1929. The collapse of international trade during the world economic crisis led to a drastic reduction in Nigerian exports. A renewed expansion of exports, noticeable in the mid-1930s, came to a halt with World War II.[37] The long period of stagnation of World War II was succeeded by steady economic growth, which was interrupted by Nigeria's civil war. Economic indicators point toward a continuous growth during the early 1970s due to the oil boom, but this domestic growth could not withstand the external world's economic stagnation and the continuous devaluation of the Nigerian currency in the world market. The drive for capitalist expansion and the tendency toward NIDL was manifested by many factors in Nigeria:

> The downturn of the world economic recession since the late 1960s. . . . This is necessary because capital must find a place to further sustain its expansion. There are abundant mineral resources that will guarantee capitalist exploitation. Import substitution, even when manufactured in Nigeria, can generate and add

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[35]Ibid., p. 16.

[36]Ludwig Shatzl, Industrialization in Nigeria (Munich, Germany: Welt Forum Verlag, 1973), p. 30.

[37]Ibid., p. 17.

> to the world market expansion. The internationalization and intensification of competition also emitted strong impulses for capitalist investment in Nigeria. Britain and other trading companies invested in the industrial sector in order to stabilize their market position as the world economy staggers. Again, those foreign producers which had not established themselves led to the installation of manufacturing opportunity to gain a foothold in the expanding Nigerian market.[38]

Nigeria also possessed the largest market in tropical Africa.

> Economic policies at the federal level were relatively liberal and even regional levels intensified the tendency for this development as each region offered the best production for any incoming investor. A whole series of fiscal incentives also attracted the investors. The most important instruments to stimulate investment are held to be the temporary exemption from income tax for enterprises which are accorded pioneer status, generous depreciation rates, and a great variety of tariff concession.[39]

The post-independence administration in Nigeria, under the capitalist ideology, perceived industrialization—as in other Third World countries—as a major opportunity to increase the rate of economic growth, raise the population's standard of living, create jobs, reduce import of manufactured goods, and decrease the trade deficits resulting from such imports. However, if the tendency toward NIDL in Nigeria was tailored by the capitalist investors so that domestic production of manufactured goods was patterned upon past imports of industrial products, then the strategy adopted to attract industrialization by the neocolonialist leaders of Nigeria was nothing short of import substitution, and in no way accelerated developmental growth. It can thus be seen that import substitution was a developmental tendency toward NIDL. The argument fits the capitalist ideology that, if local consumption of a country can serve the interests of neighboring countries, then it would be economically justified if industry were moved closer to the point of consumption—from the center to the periphery. So, in Nigeria as well as in other areas of

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[38]P. Kilby, Industrialization in an Open Economy—Nigeria: 1945-66 (Cambridge: Cambridge University Press, 1967), p. 54.

[39]Shatzl, Industrialization in Nigeria, op. cit., p. 30.

Africa which have the resources for this capitalist drive, import substitution led to this tendency toward NIDL. "Import substitution is not only the industrialization strategy which is most frequently observed in the developing countries; it presumably also represents the only means of getting industrialization started."[40]

The emergence of this phase of industrialization manifested itself strangely after Nigeria gained independence. It became one of the critical bourgeois indices of modernization upon which to face the demand of the colonial masters who handed over government to them after independence. The insertion of the governing elite into the state apparatus linked the bourgeoisie to the center on an international plane.

The presence of MNC in Nigeria was in the form of three types of investment. The most obvious was "market development" investment to maintain and expand markets previously secured by exports during the "classical division of labor."[41] Such investment occurred in consumer goods industries, which corresponded both with the product lines of previous exports and with the highly protected industries being promoted under the NIDL by the client states. The British-formed United African Company (UAC) led this process in Nigeria. The British hegemony of this industrial sector could not be doubted, since it was the former imperial master of Nigeria. Another aspect was export-oriented investment to secure the supply of critical raw materials needed in the industrialized countries. This was also historical in tone, as it explained why foreign capital dominated such sectors as mining, petroleum, and other extractive mineral resources.

Since independence in 1960, tariff policies were manipulated by successive governments to encourage consumer products manufactured in Nigeria, and protect young

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[40]Ibid., p. 179.

[41]L. C. Gardner, Economic Aspects of New Deal Diplomacy (Madison: University of Wisconsin, 1964), p. 10.

Nigerian industries from foreign giant industrial competitors. During the 1972-76 indigenization period, when aliens were banned from several areas of manufacturing industry, the aim was to protect the young industries so as to satisfy domestic consumer goods needs, which meant a replacement of the classical division of labor by the new domestic division of labor. Another manifestation of protecting young industries was the wholesale ban on several imports, and the imposition of licensing for several others in 1978 following the sudden depletion of oil revenues.[42] Concentrating on consumer goods manufacturing, a new domestic division of labor in this instance raised a number of typical problems in Nigeria. First, the rising domestic demand for industrial imports reduced export volume and export proceeds. In turn, this reduced the possibility of transferring domestic savings into capital goods manufacturing, and resulted in increased need for foreign capital. The expected foreign exchange savings from consumer manufacturing products failed to materialize, and only marginal changes occurred in the import structure. The World Bank put it this way:

> The foreign exchange situation was so serious that in 1970, Nigeria had barely US$222 million in gross external reserve, while the country's current account balance before interest payments on external public debt stood at deficits of US$348 million in 1970 and US$511 million in 1976, despite the oil boom.[43]

The combined effects of these shortcomings led to the domination of consumer manufactured goods by the MNC, and this sustained and intensified the tendency toward NIDL and Nigeria's technological dependence on the imperialists. In the face of these problems, export diversification and export industrialization was canvassed as an alternative to domestic consumer manufacturing. If one defends this alternative as a more

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[42]Onimode, Imperialism and Underdevelopment in Nigeria, op. cit., p. 181.

[43]World Bank, World Development Report (Washington, DC: World Bank Press, 1988), p. 92.

viable means toward industrialization, then one would align oneself to the antagonist of domestic consumer manufacturing industries:

> The present position of import substitution industries offers no possibility of transforming the traditional import substitution industries into export industries for high quality and durable consumption and investment goods which would have a chance of being saleable in the industrialized countries.[44]

While export-oriented strategies might be the order of the day for Nigeria's developmental policies, the prospects for major growth in the manufacturing and processing of durable capital goods should not be overestimated. No one can easily give his might to save others.

> Most African manufacturing is of light consumer goods, such as beverages for the home markets, or first- and second-stage processing of Africa's primary produce in rudimentary installations such as ginneries for cotton mills, for groundnut or palm oil, sawmills for timber, and tanneries for leather. There is little or no advanced technology production of manufactured goods for export such as that which comes from rapidly growing industries of Southeast Asia. In short, African industrialization to date has largely been import substitution oriented, not export oriented.[45]

In general, all African countries' industrialization was completely patterned by the MNC structure. It had no independent self-sustained power to uplift itself to manufacture those goods that could compete favorably on the global level. African manufacturing was tailored only to meet relevant African needs, and available to only a few. "Production ranges from Coca-Cola for the satisfaction of thirst to Mercedes cars for the satisfaction of transportation needs."[46]

The tendency toward NIDL in Nigeria served at best to create domestic consumer manufacturing products plants which in no way produced goods competitive with those of the MNC. These import substitution industries (ISI) could not guarantee Nigeria's

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[44]Onimode, Imperialism and Underdevelopment in Nigeria, op. cit., p. 182.

[45]Higgott, "Africa and the NIDL," op. cit., p. 294.

[46]Ibid., 296.

comparativeness on a global level. As stated earlier, Nigeria was inevitably incorporated within the global economy in a subordinate manner. The possible outcome was manifested in its ongoing transformation. Even though the defenders of ISI industrialization had argued that the problem was not with the strategy but its implementation, it is necessary at this point to highlight the basic problems inherent in Nigeria's situation. First, these ISI were protected since independence and tended to remain perpetual infant industries, thereby being chronically noncompetitive and needing constant government assistance to keep them in operation. What good is a business venture that fails to sustain itself? Capital ideology is based on the multiplication factor of reinvestment of profit, or it will lose its profit-making ability. Second, the product structure of these ISI typically involved the wrong products from the viewpoints of the priorities of basic needs of nutrition, clothing, shelter, and health.[47] The ISI producing these domestic consumer products were tailored to the imported but wrong imperialist consumption habits cultivated for global distribution.

A third and major point was the domination of domestic consumption products by foreign monopoly capital, causing a clash of interests between the domestic consumption producing country and the MNC. Nigeria's eagerness to industrialize lay more in such areas as profit reinvestment, transfer of technology, new industries—especially in heavy capital good productions, based on local inputs, employment creation, and satisfaction with products—for it to move ahead in the direction of industrialization. However, the global strategy of MNC dictated a contradictory and opposing interest to that of the host nation, such as surplus transfer, technological dominance, higher expatriate quotas, quick and high profits with less risk, and export of primary products rather than industrial manufacturing from Nigeria. The strengths of the government in input possessions, the size of its

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[47]UNCTAD,"Technological Dependence: Its Nature, Consequences, and Policy Implications," Africa Development, 1977, vol. 2, no. 2, p. 23.

domestic market, and its favorable investment climate, were confronted with the MNCs' capital sizes, technological and organizational superiority, market power, investment dispersal, and political support of their home governments. In all, Nigeria always lost in the confrontation. Despite indigenization decrees in the country, the MNC continued to dominate, and were even pursued by the various state governments for them to invest their capital in their own respective state. The area of technology was another problem. If the application of the NIDL was to relocate industries to areas that would enhance capitalist accumulation of profits, then the technology to be employed had to accompany it. There is no yardstick to measure this issue in this research; thus, no detailed analysis is made because the survey questionnaire (see Appendix) did not address this issue. The only measure that the researcher employed to determine the nature of technology transfer was to question the type of training provided by MNC to Nigerian employees working in their company, and compare them with similar industrial sectors of the indigenous enterprises (see Chapter IV). There were many negative comments on technology transfer to the recipient country. To some respondents, technology transfer by MNC was a myth.

> . . . [T]he developing countries, with some 70% of the world's population accounting for only 30% of the world higher education, 5% of expenditure on research and development, and 1% of ownership of patents. It is this, in the field of science technology,where one of the most extreme manifestations of underdevelopment is exhibited. Many of the international initiatives undertaken . . . and much of the science and technology programming undertaken in the Third World countries, appear to be based on the notion that a mere mechanical "transfer of technology," from the developed to the developing world, will result in the desired contribution of science and technology to the development process. . . . Latin America and the rest of the developing world appear trapped in Phase I [of technological importation]. . . . Research and development institutes that are established are not used by local industries; they, too, in time become marginalized. . . . Such experiences suggest that policies of this kind speak to the symptoms, rather than the underlying causes of the condition of technological dependence.[48]

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[48]N. Girvan, "Technological Dependence: Its Nature, Consequences, and Policy Implications," African Development, 1977, vol. 2, no. 2, p. 3.

There is no doubt that foreign investment by MNC was the original strategy supposed to achieve this technological transfer. However, since the MNC were unwilling to employ nationals in their projects, the Nigerian government added joint ventures involving foreign technical partners in the foreign investment packages. The Third National Development Plan, in its industrial policy, thus aimed at the transfer of industrial technology, requiring the indigenization of technology.[49] The problem of technological indigenization was the extent to which it integrated Nigerian know-how into that of the capitalist manufacturing equipment. Could Nigerians be exposed in this developmental process? Those were the questions that needed to be addressed. The exposure of Nigerians to these advanced technologies determined how much ownership they had in the enterprise. The mere partnership did not guarantee in any way the skills needed to become a part of that venture. "Such joint ventures usually involve employing Nigerian engineers and other technical staff, either for glorified administrative duties or for routine operations, since the expatriates are given full control over technical operations."[50] Nigerians had to be trained to take over full operational management of joint projects. Whether this could be obtained by diplomacy, dialogue, or sacrifice is yet to be seen. But the reality was that no technology had yet been transferred, where Nigerian laborers were employed to do manual labor, or engineers assigned to unskilled work that did not in a way promote their training knowledge. Attendant to this paradox was the fact that the imported technology was capital-intensive relative to the Nigerian labor abundance. The reality was that feasible labor-intensive technologies that could be utilized did exist, but unrealistic relative prices of labor and capital—among other factors—precluded their utilization. It can thus be seen that

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[49]N. Tugenhat, "Technology: A New White Magic for Africa," African Development, 1977, vol. 2, no. 2, p. 11.

[50]Onimode, Imperialism and Underdevelopment in Nigeria, op. cit., p. 154.

numerous problems faced Nigeria in its incorporation within NIDL. Among them were the imported consumption technology and the domination by MNC, which operated and rendered the transfer of technology meaningless. Nigeria had neither the means nor the solution to face the problem of "technical knowhow." Why were the Nigerian raw materials unable to compete on the same footing as the dictates and possessions of the capitalists' money and technology? The answer was simple. Nigeria was westernized not to do without the basic necessities of western life, and as such had to depend on the import of manufactured consumer goods, foreign production, control of the machinery specific to foreign factor-proportions, foreign domination of technological knowledge and production techniques, significant foreign control over domestic technological choices and initiative—from science education to research and development—as well as neocolonial trade bondage operating through trademarks, patents, royalties, and technological imports.

Those are the principal reasons why technological dependence persisted in Nigeria. In short, foreign domination of manufacturing and product groups also meant that the so-called indigenization of industrial technology was difficult, because it is impossible to manipulate what cannot be controlled. Foreign investors knew only too well that their technological superiority was the decisive variable factor, and they would not surrender it at any market price—unless perhaps at greater sacrifice.

This chapter has described the development and the manifestation of capitalism as a means of economic production in the world economic system. The survival of this economic production activity is historical in nature, and carries with it an inherited crisis that has divided the world into two—the developed and the underdeveloped countries, the rich and the poor, the haves and the have-nots. As it divides, it seeks new areas where investment will yield more profit, leading toward the tendency for NIDL into which Nigeria was inevitably drawn.

Chapter III discusses the operation of foreign investment in the manufacturing sector of the Nigerian economy as evidence of this tendency toward NIDL. A detailed analysis of this development is provided.

CHAPTER III

FOREIGN INVESTMENT IN THE MANUFACTURING SECTOR OF THE NIGERIAN ECONOMY

The aim of this Chapter was to take the sample data and test the hypothesis that industries did not encourage the export of manufacturing of export products to stimulate the acquisition of much-needed hard currency. To test this hypothesis, the researcher analyzed the pattern and growth of foreign industrial ventures in the manufacturing sector of the Nigerian economy through the use of the sample data acquired by means of a questionnaire (Appendix). The presence of these foreign industrial investments in the manufacturing sector of the Nigerian economy was unmistakable evidence of the tendency toward NIDL.

This study has used the following definitions:

1. Number employed: employees regularly on the payroll of the company.
2. Wages and salaries: gross earnings of employees before deductions and income tax; bonuses, overtime payments, and allowances.
3. Value of sales: value of the proportion of goods produced by companies and actually sold during the survey year.

The research areas described in this chapter covered two main topics. The first comprised the nature of legal conduct of operating business in Nigeria by foreign companies, the growth and concentration of foreign private investments in Nigeria's economy, and the structure and distribution of investment in the manufacturing sector. The second focused on data presentation on the nature and type of manufacturing investment and its contribution to the Nigerian economy in terms of whether or not the investments were directed toward industries for export-oriented products that could generate much-needed foreign exchange, and the ownership characteristics of these industrial ventures.

The new tendency in the division of labor was the necessary outcome of the development of the world economy. It posed the rearrangement of the traditional partition of the world as it developed under the dominance of the capitalist mode of production, with essentially a small number of industrial countries on the one hand, and a large number of developing countries producing raw materials and labor for the world market on the other hand—and into which Nigeria was inevitably incorporated.

Legal and Socioeconomic Aspects of Investment in Nigeria

Two major policies were employed in developing countries to effect indigenous ownership and control of domestic industries: nationalization and indigenization.[1] Nationalization involved government acquisition in whole or in part of the share capital.[2] This did not necessarily imply indigenous control over the operations of the enterprise. On the other hand, indigenization compelled foreign investors to divest some or all of their shareholdings in certain economic ventures to allow shareholdings to be bought in accordance with specified procedures by indigenous individual associations as well as by governments. There were very few cases of nationalization in Nigeria. Much greater reliance was placed on indigenization of foreign enterprises for three reasons. First, the funds needed for nationalization of foreign enterprises had a very high opportunity cost and could better be expended for other developmental programs in both the social and the

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[1]Richard Robinson, International Business Policy (Cambridge: Hamlin Publications, 1973), p. 6.

[2]Federal Ministry of Economic Development, Second National Development Plan, 1970-74 (Lagos: Government Printing Office, 1970), p. 37.

physical infrastructure. Second, there was the fear of antagonizing foreign investors to the point of starving the country of much-needed capital goods and technical skills. Third, the overt commitment of the Nigerian government to a free enterprise system was incompatible with nationalization. Consequently, Nigeria had issued repeated assurances that foreign enterprises in Nigeria would not be nationalized.[3]

The objectives of Nigeria's indigenization policy were political as well as economic. They were meant to provide to Nigerian citizens the inalienable opportunity to enjoy more fully the economic benefits derived not only from their toil but also from all the resources exploited by them or anyone else within the geographical boundary of the country, and complement the country's political independence with economic independence. Furthermore, the government wanted to compel foreign investors to move away from the establishment of light industries, toward the establishment of heavy industries. This would effect a more appropriate transfer of technology from the industrialized nations to the Federal Republic of Nigeria. The overall premise was that an economy dominated by foreign interests lacked the sting to act in the best interests of its citizens in both domestic and international affairs.[4]

The Nigerian Companies Act of 1968 provided for the establishment of private and public limited liability companies. A private limited liability company, unlike a public one, was not obliged to publish its income statements and balance sheets for each operating year. Only the shareholders of a private company could be informed of the financial status of the company. This was one reason why a survey was carried out for this study.

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[3]J. F. Rweyemamu, Industrialization and Income Distribution in Africa: CODESRIA (Dakar, Senegal: Codesria, 1980), pp. 168-190.

[4]Ibid., p. 168.

The Indigenization Act of 1977 modified an earlier 1972 Act of the same title.[5] This Act classified the business operations of Nigeria into three schedules. Business falling under Schedule I were mainly services and distribution, which had to be wholly owned by Nigerians.[6] Businesses falling under Schedule II had to be owned jointly with foreigners.[7] The Nigerian ownership in the latter had to be at least 60 percent, and the foreign partners could not own more than 40 percent of the business equity. The businesses in Schedule III had to be 40 percent Nigerian and 60 percent foreign.[8]

The Growth and Concentration of Foreign Investment in Nigeria

The case for industrialization in a developing country is based on the premise that industrialization helps increase national income, stabilizes foreign exchange earnings by diversifying exports, promotes import substitution, and provides productive employment. A brief overview of this trend helps explain the Nigerian situation. Table 3 shows the exports of merchandise for various country groups in 1965 and 1982. In the former year, primary commodities accounted for 76, 84, and 99 percent of the merchandise of low, middle, and high income oil-exporting economies, respectively, as compared with 30 percent for a share of such commodities in the export of industrial market economies.

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[5]Federal Republic of Nigeria, First National Development Plan, 1962-68 (Lagos: Government Printing Office, 1961), pp. 21-24; Federal Ministry of Information, Parliamentary Debates (Lagos: Government Printing Office, March 2, 1964).

[6]Rweyemamu, Industrialization and Income Distribution in Africa, op. cit., p. 170.

[7]Ibid., p. 183.

[8]Ibid.

TABLE 3

STRUCTURE OF MERCHANDISE EXPORT BY COUNTRY GROUP
(in %)

Country Group	1965 Primary Commodities	1965 Manufacturers	1982 Primary Commodities	1982 Manufacturers
Low income economies	76	24	50	50
Middle income economies	84	17	58	42
High income economies	99	1	96	2
Industrial market economies	30	70	26	73
East European non-market economies	NA	NA	NA	NA

NA = Not available.

Source: World Development Report. Washington, DC: World Bank Press, 1985.

While manufacturers constituted 70 percent of the exports of the industrial market economies for the period under review, they accounted for only 24, 17, and 1 percent, respectively, of the merchandise exports of the low, middle, and high income oil exporting economies. Table 3 also indicates that, while in 1982 the merchandise exports of the industrialized economies were still dominated by manufacturing products, and those of high income oil exporters by primary commodities, the export base of the low and middle income economies had become more diversified—with manufacturers constituting a much larger proportion of merchandise exports compared with 1965. This new development highlighted the changes due to the tendency toward NIDL. The significant export changes of manufactured products in the low income countries reflected that something had to be responsible for this situation.

Table 4 shows the share of developing countries as a group in the exports of manufacturers. The bulk of growth occurred in few countries within the group, notably

TABLE 4

SHARE OF EXPORTS OF MANUFACTURING BY COUNTRY GROUP

Country Group	Share (%)		
	1965	1973	1985
Developing Countries	7.3	9.9	17.4
Low income economies	2.3	1.8	2.1
Middle income economies	5.0	8.1	15.3
High income oil exporters	0.2	0.1	0.3
Industrial market economies	92.5	90.0	82.3
Total	100.0	100.0	100.0

Source: World Development Report. Washington, DC: World Bank Press, 1987.

Hong Kong, the Republic of Korea, Singapore, Brazil, India, and Mexico. For the majority of developing countries, there was no significant change in the post-war period in the pattern and structure of exports. Primary commodities remained the dominant merchandise. For example, in low income African countries, agricultural commodities contributed 70.7 percent of total merchandise exports in 1964-66, and still accounted for as much as 68.4 percent of exports in 1982-84. However, beyond justifying industrialization, a country must decide whether industrial enterprises should be mainly the responsibility of the private sector, of the government, or of both. Nigeria chose the mixed economy option, with the government encouraging the growth of the private sector and participating directly in industrial undertakings where necessary. Unfortunately, this participation was a serious economic decision and undertaking because of exogenous factors. Primarily, the dictates of the global economy are based on macroeconomic policies and developments of industrialized countries. The participation of Nigeria, and indeed most developing countries, in the world economy has been based on production and export of primary products in exchange for manufactured goods—the classical division of labor. However, the developed world manufactures and purchases the primary raw materials.

The growth and concentration of foreign investment in Nigeria was transient and commercial in nature at its beginning. The Industrial Revolution of the second half of the nineteenth century created the necessity for capital to reside in the foreign country, first in the form of extractive industrial investment to satisfy Europe's progressing industrialization, and then in the entire relocation of manufacturing industries—in this case in Nigeria—when this capital could no longer guarantee investors' profits in Europe. This new development intensified the tendency for NIDL in Nigeria and represented the beginning of foreign direct investment, which is still predominantly trade-oriented and—in a larger area—represents production for domestic consumption in Nigeria. As shown in Tables 5 and 6, the earliest foreign investments in Nigeria were predominantly British and trade-oriented. On the average, 69 percent of all non-mining firms existing in the years 1921, 1929, 1933, and 1936, were British. The figure is even as high as 94 percent in 1921. The reason for this pattern was obvious. Britain was the colonial power of Nigeria, and thus monopolized trade relationships. Similarly, 85 percent of foreign firms existing in Nigeria in 1927 engaged exclusively in trade, and only 5 percent engaged exclusively in manufacturing.

What might be regarded as the beginning of the presence of MNC in Nigeria manifested itself primarily in the post-independence years (1960) to the present. The Nigerian government gave serious thought to implementing indigenous control of the major sectors of the economy. The enthusiasm for encouraging private indigenous enterprises stemmed from the resentment of a foreign-dominated economy inherited at independence, and the contention that private indigenous enterprises were more likely to operate in the national interest than foreign businesses. Table 7 shows that, ten years after independence but before the Indigenization Decree, Nigeria's economy was still dominated by foreign interests. The table also shows that, except in the category of £1,000-5,000[9] paid up capital, the number of firms in which Nigerians have majority shareholdings are much fewer than those in which foreigners have majority shareholdings. This disparity tends to be larger than the size of the firm. Nigerians had majority shareholdings in 34.3 percent of firms in 1970, while the figure for foreigners was 65.7 percent. Perhaps more revealing of the economic impact than the growth of the magnitude of foreign investments are the changes in the sectoral composition. Table 8 shows that, in 1973, mining and quarrying accounted for 52.5 percent of foreign investments, with manufacturing and processing following with 23.2 percent. Trading and the business services sector held about 16.7 percent of total foreign investments.

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[9]£ = pounds sterling.

TABLE 5

NATIONALITIES OF PRINCIPAL INDEPENDENT LEVANTINE AND INDIAN NON-MINING FIRMS IN NIGERIA

	Number of Firms			
	1921	1929	1933	1936
British	94	64	40	38
Anglo-American	1	1	1	1
Anglo-French	1	-	-	-
Anglo-Greek	2	3	3	3
Anglo-Italian	1	1	1	1
Total British	99	69	45	43
American	1	-	-	-
Czechoslovakian	-	1	1	1
Dutch	-	2	1	1
Dutch-German	-	-	1	3
French	3	8	9	8
German	-	10	14	16
Greek	-	-	3	1
Italian	-	-	2	4
Indian	-	-	2	2
Levantine	-	-	1	2
Norwegian	-	-	1	1
Swiss	-	-	2	1

Source: J. Mars, "Extraterritorial Enterprises," quoted in Margery Perham (ed.), The Economics of Tropical Dependency (London: Faber and Faber, 1947), vol. 2, p. 49.

TABLE 6

INDUSTRIAL DISTRIBUTION OF PRINCIPAL FOREIGN FIRMS

	Number of Firms			
	1921	1929	1933	1936
Trade only	88	59	48	46
Tin mining	NA	70	47	39
Plantation and trade	1	8	10	12
Shipping and trade	1	1	2	2
Plantation, manufacturing, shipping, trade	-	-	1	1
Manufacturing and trade	2	2	2	2
Shipping only	1	9	9	8
Manufacturing only	5	6	6	7
Banking and insurance	2	5	4	4
Professions	2	1	1	1
Total:	102	161	130	122

Source: J. Mars, "Extraterritorial Enterprises," quoted in Margery Perham (ed.), The Economics of Tropical Dependency (London: Faber and Faber, 1947), vol. 2, pp. 20-21.

TABLE 7

DISTRIBUTION OF MAJORITY SHAREHOLDING BY TYPE OF SHAREHOLDER AND SIZE OF FIRM

Number of Firms Paid-Up Capital	Number NIS	EIS	Total	Percentage NIS	EIS	Total
Under 1,000	157	212	369	42.6	57.4	100
1,000-5,000	110	105	215	51.1	48.9	100
5,001-10,000	42	112	154	27.3	72.7	100
10,001-20.000	31	64	95	32.6	67.4	100
20,001-50,000	27	113	140	19.3	80.7	100
50,001-100,000	11	59	70	15.7	84.3	100
Over 100,000	409	783	1,192	34.3	65.7	100

NIS = Nigerian individual, government, and paragovernmental institutions.

EIS = Expatriate individuals and institutions.

Source: Adapted from O. Teriba, et al., "Some Aspects of Ownership and Control Structure: Business Enterprises in Developing Economy—The Nigerian Case," Nigerian Journal of Economic and Social Studies, 1972, 14, 1, p. 78.

TABLE 8

CUMULATIVE FOREIGN PRIVATE INVESTMENT IN NIGERIA BY INDUSTRIAL SECTOR (in N1000)

	1970	1971	1972	1973
Agriculture, forestry, and fishing	11.2	15.5	9.4	7.9
Building and construction	13.8	15.4	34.3	45.3
Manufacturing and processing	224.8	378.8	356.6	409.0
Mining and quarrying	515.4	694.0	859.7	925.3
Trading and business services	206.6	187.2	242.7	294.7
Transport and communication	13.8	12.0	12.2	11.6
Miscellaneous	17.6	20.0	56.2	70.2
Total	1,003.2	1,322.2	1,571.1	1,763.7

	1974	1975	1976	1977
Agriculture, forestry, and fishing	20.7	20.1	21.9	75.0
Building and construction	60.2	120.7	122.5	121.4
Manufacturing and processing	520.4	548.1	550.7	703.8
Mining and quarrying	818.1	959.6	918.9	1,090.8
Trading and business services	321.3	611.8	624.8	365.5
Transport and communication	21.9	24.1	11.0	30.6
Miscellaneous	45.5	99.3	84.0	144.3
Total	1,812.1	2,285.1	2,333.8	2,531.4

	1978	1979	1980	1981
Agriculture, forestry, and fishing	117.6	120.8	120.8	120.5
Building and construction	224.3	294.3	307.8	255.9
Manufacturing and processing	1,263.4	1,402.3	1,503.9	1,705.7
Mining and quarrying	421.3	466.8	677.4	526.0
Trading and business services	522.5	550.5	693.2	767.2
Transport and communication	55.6	60.5	62.2	60.8
Miscellaneous	258.5	257.7	255.1	251.8
Total	2,863.2	3,153.1	3,620.1	3,757.9

	1982	1983	1984	1985
Agriculture, forestry, and fishing	120.5	127.8	128.5	126.0
Building and construction	422.5	443.9	429.0	453.2
Manufacturing and processing	1,922.5	2,128.1	2,109.3	2,288.1
Mining and quarrying	974.0	511.2	702.8	744.0
Trading and business services	1,483.6	2,274.0	2,622.5	2,697.9
Transport and communication	68.9	77.0	80.6	85.0
Miscellaneous	390.8	386.3	401.6	418.0
Total	5,382.8	5,949.5	6,484.3	6,814.0

Source: Central Bank of Nigeria, Statistical Bulletin, December 1990, Table 5.4, pp. 131-132.

Foreign investments in agriculture rose from N20.7 million in 1974 to N126.0 million in 1985. Table 8 also shows that, in the period 1977-81, manufacturing dominated other sectors by about 50 percent in overall industrial activities in Nigeria. Similarly, for 1982-85, manufacturing and building construction showed a 70 percent combined average, with an average of 34 and 36 percent for the two industries, respectively. This is why manufacturing was so important to this study as a crucial sector of the Nigerian economy.

Another aspect of foreign direct investment (FDI) is the change in the country of origin. As seen in Table 5 above, in relation to the colonial period, the United Kingdom continued to constitute the major sources of foreign investment in Nigeria. In 1970 (Table 9), it accounted for 40 percent of cumulative FDI. This dominant position was reduced by 1975, when the United Kingdom accounted for 38.8 percent. While the contribution of western Europe (excluding the United Kingdom) remained relatively stable, the position of the United States declined from 23.6 to 17.5 percent in the same period. Further analysis of Table 9 reveals the continued domination of the United Kingdom in the Nigerian economy as a private investors in the period 1975-85. It then accounted for about 40 percent of overall foreign investments, leaving the Europeans in second position with about 28 percent, and the United States a distant third with about 15 percent. Despite repeated changes in government leadership, each administration has seen foreign investment as an economic opportunity for Nigerian growth. The country should, thus, be conscious that foreign capital is not a gift but also involves a cost to the economy in the form of profit repatriation and interest abroad. Like all other imported goods and services, it must be paid for.

TABLE 9

TOTAL AND PERCENTAGE DISTRIBUTION

OF CUMULATIVE FDI BY ORIGIN (N million)

Year	FDI	U.K.	U.S.	Other West Europeans	Other
1970	1,003.2	44.0	22.9	22.4	10.4
1971	1,322.8	44.8	25.5	19.7	10.0
1972	1,571.1	49.0	18.2	23.4	9.4
1973	1,763.7	48.8	17.5	23.5	10.2
1974	1,812.1	46.0	17.0	25.0	12.0
1975	2,287.5	38.0	22.0	26.0	14.0
1976	2,333.8	40.4	16.1	28.0	15.5
1977	2,531.4	42.4	11.3	29.2	17.1
1978	2,863.2	41.7	12.0	29.6	16.7
1979	3,153.1	35.09	17.9	31.0	16.1
1980	3,620.1	39.3	15.6	30.6	14.5
1981	3,757.9	38.0	11.7	35.9	14.4
1982	5,382.8	37.0	21.8	28.9	12.3
1983	5,947.5	43.8	16.3	28.3	11.5
1984	6,484.3	48.0	14.9	25.6	11.6
1985	6,814.0	52.7	12.8	23.5	11.0

Source: Central Bank of Nigeria, Statistical Bulletin, December 1990, Table D5.3, p. 129.

Structure and Distribution of Investment in the Manufacturing Sector by Foreign Companies

A further breakdown in the cumulative investment in the manufacturing and processing sector by type of industry is shown in Table 10, which provides data on investment of assets in the manufacturing sector as well as by type of industry. The cumulative foreign private investment in the manufacturing and processing sector was N377.9 million in 1971.

In 1972, the level of investment declined by 5.9 percent to N357.6 million but increased by 14.7 percent in 1973 to N407.1 million. The increase recorded for 1973 was shared by all 20 industrial subgroups, except for the transport equipment industries where a decline was recorded in 1974, when investment in this sector showed a decline of 29.8 percent from the 1973 level.

The 1974 decline affected most industrial subsectors but was more marked in food, beverages, furniture and fixtures, paper and paper products, rubber products, and transport equipment industries. The footwear and wearing apparels, leather products, basic metal and metal products industries, recorded some increases ranging from 6.9 percent for basic metals to 93.7 percent for footwear and apparel.

However, overall industrial investment in the manufacturing sector was dominated by the following subsectors from 1975 to 1985: textile, chemical products, non-metal mineral products, beverages, and tobacco. This was in line with the fourth hypothesis that industrial investments were only in light consumer domestic goods which cannot generate foreign hard currency. It also showed that export-oriented industrialization in many developing countries was concentrated in textiles and chemical products.

Table 10 shows the concentration of these establishments by industrial location. The figures clearly show that Lagos still dominates over the other cities by a greater margin.

TABLE 10

FOREIGN PRIVATE INVESTMENT IN THE MANUFACTURING

SECTOR ANALYZED BY TYPE OF INDUSTRY (N000)

Type of Activity:	1971	1972	1973	1974	1975
Food	43,674	43,198	48,490	25,156	51,226
Beverages	29,466	24,936	32,818	18,395	23,131
Tobacco	39,234	14,018	26,614	26,942	32,869
Textile	64,072	67,098	68,504	58,299	125,098
Footwear, wearing apparel, etc.	2,532	5,146	7,055	13,664	7,191
Wood and cork	1,214	1,586	2,026	576	1,397
Furniture and fixtures	8,320	13,502	14,715	5,962	14,832
Paper and paper products	17,250	10,542	16,440	1,841	9,590
Printing and publishing	790	5,766	6,763	4,332	3,015
Leather products	2,056	2,502	2,667	4,107	3,318
Rubber products	13,438	16,142	20,084	7,802	7,554
Chemicals	27,718	28,312	36,084	34,326	30,258
Products of petroleum and coal	20,290	10,428	14,179	5,375	18,713
Non-metallic mineral products	44,486	34,882	38,764	23,114	51,191
Basic metal (iron, steel)	14,860	8,132	13,044	13,949	17,645
Metal products	10,374	14,662	10,629	11,716	18,520
Machinery (except electrical)	5,418	1,366	4,236	12,038	10,861
Electrical machinery	1,520	2,330	1,298	2,893	973
Transport equipment	11,614	35,780	22,661	5,469	23,234
Miscellaneous	19,656	17,278	20,385	13,089	23,504
Total:	377,982	357,606	407,156	289,045	474,120

	1976	1977	1978	1979	1980
Food	56,721	80,455	96,379	112,749	124,443
Beverages	83,134	44,397	71,357	83,771	92,661
Tobacco	15,371	32,172	79,031	79,287	79,287
Textile	139,333	131,045	349,091	353,081	349,259
Footwear, wearing apparel, etc.	19,284	23,896	13,942	17,418	18,076
Wood and cork	4,975	7,882	12,961	13,064	13,375
Furniture and fixtures	9,006	10,639	45,033	46,134	46,920
Paper and paper products	10,511	14,614	23,541	23,828	24,126
Printing and publishing	5,331	5,248	31,073	36,223	38,064
Leather products	4,003	6,253	9,598	11,279	12,717
Rubber products	6,394	8,107	61,717	68,023	68,757
Chemicals	31,581	113,780	128,016	139,599	157,393
Products of petroleum and coal	27,373	32,228	3,797	3,925	3,894
Non-metallic mineral products	62,721	69,832	103,494	108,892	113,047
Basic metal (iron, steel)	14,162	25,379	23,288	30,788	34,833
Metal products	17,770	28,278	65,004	82,061	102,726
Machinery (except electrical)	3,546	8,454	11,250	12,726	14,087
Electrical machinery	1,927	17,395	34,181	41,187	43,428
Transport equipment	32,629	71,490	7,059	35,468	71,653
Miscellaneous	34,488	53,969	108,078	114,710	122,943
Total:	580,361	785,513	127,890	1,414,213	1,531,689

TABLE 10 (Continued)

Type of Activity:	1981	1982	1983	1984	1985
Food	149,136	169,183	203,723	175,441	221,726
Beverages	99,983	114,040	119,028	135,690	151,302
Tobacco	79,287	83,476	91,945	106,646	110,731
Textile	352,637	356,422	342,803	362,466	381,532
Footwear, wearing apparel, etc.	19,828	19,044	20,953	23,128	28,555
Wood and cork	13,477	18,150	14,138	14,768	2,561
Furniture and fixtures	47,536	48,167	50,004	49,764	23,381
Paper and paper products	25,745	30,098	32,423	33,726	34,976
Printing and publishing	39,999	42,853	43,098	43,920	54,609
Leather products	15,288	15,825	17,287	13,830	14,012
Rubber products	68,757	71,408	73,720	79,726	81,118
Chemicals	157,393	189,641	224,148	179,670	202,073
Products of petroleum and coal	3,946	6,647	8,240	2,795	2,795
Non-metallic mineral products	119,949	129,986	73,199	58,842	81,426
Basic metal (iron, steel)	39,121	46,421	57,771	66,259	65,979
Metal products	89,986	133,169	154,987	167,430	164,827
Machinery (except electrical)	19,502	20,062	41,230	26,758	45,720
Electrical machinery	45,049	53,177	62,716	50,497	46,548
Transport equipment	180,466	206,164	268,883	271,689	269,475
Miscellaneous	135,795	164,886	235,418	245,068	257,314
Total:	1,702,888	1,918,819	2,135,715	2,108,113	2,240,660

Source: Central Bank of Nigeria, Economic and Financial Reviews (Lagos: Central Bank of Nigeria, 1991), Table D5.5, pp.160-163.

Sample Data Analysis

This part of the study describes the results of the survey questionnaires of manufacturing activities in Nigeria. The questionnaire (Appendix) was developed to collect the vital information important to this study. The limitations of the data were that a total of 30 questionnaires were administered in all of the regional sections of Nigeria, and a total of 26 usable responses (13 from MNC and 13 from IND) were analyzed (Chapters III and IV). This is a small sample compared to the sizes and numbers of businesses operating in the manufacturing sector of the country's economy. Therefore, the results are not necessarily representative for the overall situation. However, despite these limitations, they are certainly illustrative of the existing trends and order of magnitude of this study.

Companies Covered

A survey sample of 30 companies, both MNC and IND, was selected using the 1990 Industrial Directory of Industries in Nigeria. Only companies which were primarily engaged in manufacturing and employed ten or more persons were covered. Manufacturing was defined for this study as the transformation of substances into new products, and included assembly of component parts and processing of primary products. Similarly, a company was defined as a factory or workshop which may have a producing unit in one or more locations.

Industrial Classifications

The codes assigned to companies under this study conform to those listed in the UN International Standard of Industrial Classification (ISIC) (Table 11). The locations and characteristics of MNC and IND are shown in Tables 12 and 13, respectively.

TABLE 11

INDUSTRIAL CLASSIFICATIONS

ISIC	Company	Principal Products
Food Manufacturing:		
3112	Milk products	Milk, butter, yogurt
3115	Oils and fats	Palm oil
3118	Sugar factories	Sugar
Beverages:		
3133	Malt liquors and malt	Beer and stout
Textiles:		
3122	Spinning, weaving, etc.	Suiting, fabrics
Paper and Paper Products:		
3419	Paper and cardboard	Toilet rolls
Industrial Chemicals:		
3511	Basic industrial chemicals	Acid, raw acid
Other Chemical Products:		
3522	Drugs and medicines	Pharmaceutical
3523	Soap, detergents	Soaps and cosmetics
3529	Chemical products	Safety matches
3530	Petroleum refineries	Lubricants
3559	Rubber products	Sandals
Non-metal Mineral Products:		
3610	Pottery	Ceramics, clay pots
3692	Cement and lime	Cement
Other Non-metal Mineral Products:		
3699	Cement and lime	Asbestos roofing sheets
Basic Metals:		
3710	Iron and steel	Iron rods
Fabricated Metal Products:		
3819	Fabricated metal products	Aluminum products
Transport Equipment:		
3843	Motor vehicle assembly	Vehicle assembly plant

The following is the presentation of the locations and characteristics of the responding sample companies covered for the study. Table 12 indicates the locations of the MNC and IND. Major characteristics of the responding companies are also provided in Table 13 for the MNC and IND.

TABLE 12

LOCATIONS OF SAMPLE SURVEY COMPANIES

Number	Location	Number Survey	ISIC Code Number
Multinational Companies			
1	Benin	1	3522
2	Enugu	2	3699, 3843
3	Lagos	7	3523, 3212, 3133, 3522, 3118, 3522, 3112
4	Kaduna	1	3211
5	Port Harcourt	2	3115, 3559
Indigenous Companies			
1	Aba	2	3419, 3212
2	Port Harcourt	1	3529
3	Ilorin	2	3523, 3511
4	Lagos	1	3530
5	Nkalagu	1	3692
6	Onitsha	2	3133, 3819
7	Bauchi	1	3692
8	Umuahia	2	3133, 3610
9	Warri	1	3710

ISIC = International Standard Industrial Classification of all economic activities.

TABLE 13

CHARACTERISTICS OF SAMPLE DATA

Company	ISIC No.	Year Founded	Number of Employees	Sales Turnover (N)	% Ownership Foreign/ Nigerian
Multinational Companies:					
1	3699	1963	229	112,000,000	51/49
2	3522	1987	41	3,600,000	60/40
3	3523	1923	2,106	1,783,000,000	40/60
4	3211	1970	1,452	290,000,000	40/60
5	3530	1962	637	95,270,284	37/63
6	3115	1974	126	200,000,000	51/49
7	3559	1984	340	59,997,530	40/60
8	3133	1962	3,277	2,155,000,000	40/60
9	3211	1963	9,890	1,514,830,000	59/41
10	3522	1963	298	175,000,000	60/40
11	3843	1981	729	882,000,000	40/60
12	3522	1960	188	41,753,000	40/60
13	3112	1973	461	662,280,000	40/60
Indigenous Companies:					
1	3133	1976	870	170,625,000	0/100
2	3692	1958	1,649	141,160,000	0/100
3	3710	1982	5,237	319,737,000	0/100
4	3610	1963	450	15,000,000	0/100
5	3530	1976	616	788,306,000	0/100
6	3819	1983	126	3,000,000	0/100
7	3419	1978	250	55,000,000	0/100
8	3529	1987	91	25,000,000	0/100
9	3692	1975	1,589	755,288,000	10/90
10	3511	1989	280	75,000,000	0/100
11	3523	1985	318	300,000,000	0/100
12	3133	1963	685	192,364,000	10/90
13	3211	1962	1,474	145,250,000	0/100

ISIC = International Standard Industrial Classification of all economic activities.
N = Nairas

Activity Type of Manufacturing

The vital need of foreign exchange is important to the Nigerian economy. Table 14(A) presents the frequency of export product by companies. The table shows that, of the 13 MNC surveyed, only four respondents stated that they exported their products; this gave an average of 28.5 each for the four industries or an overall average of 8.78 percent of products exported by each of the 13 MNC. Similarly, of the 13 IND surveyed, only five responded that they did export their products, with an average of 4.5 percent each. When this percentage is averaged among the entire 13 IND, only about 1.9 percent export their products. One industry (ISIC 3155) among the MNC had a share of 80 percent of the entire total average, while two indigenous industries (ISIC 3511 and 3523) had a share of about 90 percent. Taken the other way around, the two industries in the sample survey (MNC and indigenous firms) have a domestic market of about 90 percent each. This supports the hypothesis for this Chapter, which stated that industries did not encourage export-related industries that could generate the much-needed hard currency.

Nature of Ownership

The acquisition of the economic ownership of these ventures in the manufacturing sector determined who controlled the financial state of the company. Table 14(B) shows the pattern of ownership of the industries surveyed. In the area of activity of the MNC, Nigeria had an equity of 54 percent and the MNC 46 percent. Similarly, Nigeria had an average percent ownership of 98.50 percent on all IND surveyed, while foreign interest was only 1.5 percent. Table 14(C) shows the frequency distribution to the industrial investment. It depicts that 76.9 percent of MNC industries were mainly in light consumer equipment, with only about 23.1 percent in heavy industrial equipment. This was reversed with IND, who showed a share of 53.8 percent and 46.2 percent in heavy equipment and light consumer industries, respectively. This did not come

TABLE 14

COMPANY DISTRIBUTIONS—FREQUENCIES AND PERCENTAGES
(MNC = 13, Indigenous = 13)

A. Frequency of Export Product by Company:

	Export Company	Average %	Overall %
MNC	4	28.5	7.8
Indigenous	5	4.5	1.9

B. % Distribution of Ownership by Nationality:

	No. MNC	% Ownership	No. Indigenous	% Ownership
Nigeria	13	54	13	98.5
Foreign	13	46	2	1.5

C. Frequency Distribution of Product Type by Company:

	No. Industrial Durable Products	%	No. Industrial Nondurable Products	%
MNC	3	23.1	10	76.9
Indigenous	7	53.8	6	46.2

D. % Distribution of Raw Materials by Company:

	Average %/Nigerian	Average %/Foreign
MNC	51.3	48.7
Indigenous	72.2	27.7

E. Frequency Distribution Regulation by Government Policy:

	Government Policy Taxes	% Effect	Government Policy Duty	% Effect	Government Policy Price	% Effect
MNC	10	76.9	12	92.3	6	46.2
Indigenous	13	100.0	9	69.2	5	38.5

MNC = Multinational Corporations

as a surprise, as IND must strive to meet their local needs by investing for their country's growth.

Nature of Raw Material Procurement

While Nigeria may possess the attractiveness for raw materials and the drive for capitalist investment, the technical, socioeconomic, and political problems of delivering these resources may be considerable. Table 14(D) shows that multinationals obtained about 51.3 percent and the indigenous firms 72.3 percent of raw materials primarily from Nigeria. Similarly, multinationals obtained about 48.7 percent of their raw materials from abroad, while Nigerian firms obtained about 27.76 percent—about half less than that of MNC. Raw material dependency from abroad, as depicted more by the MNC in the above table, places a huge drain on the Nigerian economy. The use of local raw materials by the IND may accelerate the economic growth.

Nature of Government Policy Effect on Investment

Government policies and regulations cannot be isolated from sociopolitical concerns. The tendency to generate revenue by the state government may drive away investors if conditions are not flexible enough to accommodate their interest. Such issues as taxes, customs duties, and price regulations are controversial to both foreign and indigenous investors. Table 14(E) presents the frequency distribution of regulation by type of government policy. Indigenous firms showed greater concern about taxes than the MNC with about 100 percent, while MNC reacted differently on this issue with about 76.9 percent. As to customs duty regulations, MNC reacted with greater concern with about 92.3 over the indigenous firms, who showed a concern of 69.2 percent on customs regulations. Similarly, MNC had about 46.2 percent price control concern compared with the IND who had only 38.5 percent concern for such government policies.

In summary, the above figures indicate agreement with the hypothesis that industries did not encourage export manufacturing products to stimulate the acquisition of much-needed hard currency. This result was in line with the literature review (Chapter II) on the nature of foreign investments in the manufacturing sector of the Nigerian economy. The indigenization decree adopted by Nigeria about 12 years after independence provided the Nigerian companies with the opportunity to participate and become a part owner in these industrial ventures. There is no doubt that, as part owners, these industrial activities within the country will contribute positively toward its economic growth.

CHAPTER IV

EMPLOYMENT EFFECTS IN THE MANUFACTURING SECTOR OF THE NIGERIAN ECONOMY

The tendency toward NIDL is concretely manifested in the worldwide redistribution of production sites for industrial production. This section of the study examined and analyzed the employment effects of this development in the manufacturing sector of the Nigerian economy by taking the sample data to test the following hypotheses:

1. The NIDL does not contribute to the solution of Nigeria's unemployment problem.
2. Higher wage rates offered by foreign companies to the local labor market has no effect on the availability of quality labor to the IND.
3. Nigerian workers are not given the training and skills necessary to develop a self-sustaining economic growth and the development the country needs.

The existence of numerous foreign establishments in the manufacturing sector in Nigeria was shown in Chapter III. The progress toward NIDL could easily be noted in the changes in distribution of industrial labor and investment. The most important socioeconomic aspects of the redistribution of production sites involved the use of industrial labor indigenous to Nigeria. The establishment of those developments and their impact on the country over a time period produced meaningful information for this study, and served to broaden the information base on NIDL.

The Economic Upswing and Downswing of Nigeria

There was a continuous trend in the growth rate of Nigeria's economy up to the end of the 1970s. In the period 1965-80, the GDP grew at an average of 8 percent per year. Most of this growth was related to a remarkable structural change in the economy at the end of the 1967-70 civil war. Whereas the extractive sector (primarily petroleum) accounted for 1.2 percent of total GDP in 1959, by 1971 its share had risen to 15.1 percent. On the other hand, agriculture—which accounted for 63.1 percent GDP in 1959—saw its share reduced to 42 percent in 1971 (Table 15). The manufacturing sector, which grew at an average rate of 13.2 percent from 1971 to 1980, provided additional evidence of this transformation of the economy. Oil revenues rose from N172 million[1] in 1969 to N507 million in 1970, an increased of 194 percent in only one year.[2] Since the 1970s, it accounted for 80 to 90 percent of total government revenue. The industrialization policy, which was purely an import substitution—the NIDL—required the importation of large quantities of raw materials for the rapidly growing industries, so that by 1981 the ratio of imports to GDP stood at 25 percent.[3] However, by then the situation had started to change. The decline of the economy reflected a chronic dependence on the oil sector, which went through many shocks in the 1980s. In the face of a worldwide oil surplus, Nigeria's output dropped sharply from 2,092,331 barrels per day in January 1981 to 1,785,791 per day by December of the same year, resulting in a 31.5 percent fall in oil revenues. This led to a balance of payments deficit of N2,967 million.[4]

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[1]World Bank, World Development Report (Washington, DC: World Bank Press, 1988), p. 224.

[2]N = Nairas.

[3]P. A. Akatu and E. U. Olisadebe, "Management of the Nigerian Economy," Economic and Financial Review, 1987, p. 58.

[4]Central Bank of Nigeria, Annual Reports and Statements of Accounts (Lagos: Central Bank of Nigeria, December 1991), pp. 2 and 24.

TABLE 15

ECONOMIC INDICATORS, 1980-87

Indicator	1980	1981	1982	1983	1984	1985	1986	1987
Real GDP	5.3	(8.4)	(3.2)	(6.3)	(5.2)	(5.3)	(2.1)	1.2
Real GDP/Capita	(0.6)	(6.3)	(3.4)	(11.0)	(8.9)	(8.1)	(6.2)	-
Inflation	9.0	20.8	7.7	23.2	39.6	5.5	5.4	10.2
Wages	100.0	94.0	101.5	74.9	42.3	41.8	-	-
Exchange Rate	100.0	111.0	114.0	134.0	185.0	166.0	91.0	29.0
Debt as % of GDP	8.9	13.0	14.1	21.1	20.5	22.1	53.1	122.6
Reserves	5.8	2.0	1.2	1.0	1.7	2.0	1.9	-
Investment as % of GDP	21.8	27.5	21.6	16.8	12.3	9.6	-	-

Source: Central Bank of Nigeria, Annual Reports and Statements of Accounts. Lagos: Central Bank of Nigeria, 1991, pp. 92, 117.

The deficit led to outstanding debts. As a proportion of GDP, debts stood only at 2 percent in 1975, but by 1987 had risen to 122.6 percent. This increase in government deficits mirrored the trend in general price levels. The inflation rate, correspondingly, resulted in a decline in real wages during the 1980s and attested to the rapid decline in the standard of living. Certainly, with the population growth at about 3 percent per year, the country's per capita income fell throughout the 1980s. In response to this deep economic crisis, the administration of Shehu Shagari was compelled to introduce a medium-term stabilization program in April 1982. Then, in December 1983, General Buhari seized power and introduced additional austerity measures. The Buhari administration was itself ousted in a coup led by General Babangida in August 1985. In 1986, a Structural Adjustment program was introduced with the support of the World Bank and the International Monetary Fund. It aimed at restructuring the economy with a view to diversifying the production base and reducing dependence on the oil sector, achieving fiscal balance-of-payments viability, laying the foundation for growth with minimal inflation, and improving the efficiency of the public sector.[5]

With all these unhealthy economic aspects, it is good to reflect on the issue of the Nigerian Structural Adjustment Programme (SAP) and the NIDL.

NIDL and SAP in Nigeria

The SAP is designed mainly to promote the recovery of the Nigerian economy by encouraging a culture of self-reliance in all areas of economic activities. Of particular importance in the relationship of the SAP to this study is the area of resource utilization within both internal and external activities, to increase domestic production in the areas of

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[5]S. E. Omoruyi, "A Review of the Structural Adjustment Program: The Foreign Exchange Market and Trade Policies in Nigeria," Economic and Financial Review, 1987, pp. 29-33.

food and industrial raw materials, to bring the mostly idle manufacturing sector back to full capacity, and thereby to promote the inflow of investment capital. Thus, foreign exchange is the underlying factor in the SAP initiatives, because the price combined with availability, allocated to and used in the economy, are vital to bring the above efforts to fruition. The taste of Nigerians and their preference for foreign rather than local goods is a further area of concern for the SAP. Such drastic changes in external relations and indigenous lifestyles have political as well as social implications. Nevertheless, the success of the SAP, championed by Babangida's regime in 1986, rests fully upon external inputs such as the World Bank's structural adjustment loans and the willingness of the major western banks and other creditor agencies to reschedule Nigeria's loan obligations. Thus, any exchange in external policies to save the deteriorating economic situation in Nigeria, without an overall assessment of implications on the economy, would have disastrous consequences. For example, the tendency toward the NIDL in Nigeria manifested itself after its independence in the form of import substitution industries in the manufacturing sector. These substitution industries, adopted by Nigeria after independence, were designed to benefit both foreign and Nigerian investors in the manufacturing sector without taking adequate measures to encourage local sourcing of industrial inputs.

In fact, the character of the Nigerian manufacturing sector creates obstacles to an effective foreign policy such as the SAP of Babangida's administration. First, it is difficult to change the pattern of foreign manufacturing investment in Nigeria from import substitution industries to that of an export platform. Thus, a drastic reduction such as the SAP proposes in the level of imported industrial input has implications on the availability of the spare parts that keep the existing import substitution industries going, even though such savings may help in making payments to reduce the deteriorating deficits. Such heavy dependence of the industrial sector on foreign imports exposes the country to possible blackmail by foreign suppliers of vital equipment, spare parts, and raw materials, and thus set the stage for the sabotaging of Nigeria's foreign policy initiatives (such as the SAP) directed at such hostile powers. This is probably the most important reason for the relative ineffectiveness of the sub-Saharan African countries' policies against apartheid in South Africa. Similarly, the objective of the SAP, as it relates to manufacturing, necessarily requires a reduction in the level of economic influence enjoyed at present by the MNC. This also has the potential to create some diplomatic resistance from the home countries of the MNC, who are also the major creditors of these international institutions.

The SAP was, therefore, designed for this sector of the economy in order to restructure the productive base of the dependent industrial capitalists, in order to minimize the dependence on imports of the industrial production process and maximize, instead, the export of manufactured goods, while enhancing the utilization of domestic productive forces. Such objectives of Nigerian policies cannot be realized with the external forces listed above. For this reason, NIDL further intensified its efforts in the area of the manufacturing industries by means of more capital-intensive, skill-intensive, and labor-saving technologies, thus crippling the development of domestic industrial entrepreneurial resources for which the SAP had been designed.[6]

Worsening economic conditions, and the introduction of stringent recovery measures since 1982, seriously affected industrial activity. Production was severely curtailed in the crucially important oil sector as well as in manufacturing, which was heavily dependent on imports and had difficulty procuring raw materials, machinery, and spare parts. From 1980 to 1984, total industrial production declined by 23 percent. This decline was more pronounced and quite different from the 1970s, when the manufacturing sector's average annual growth rate, based on the Central Bank index, was 15.6 percent (Table 16).

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[6]The Nigeria Institute of International Affairs. Structural Adjustment in Nigeria (Lagos, Nigeria: The Nigeria Institute of International Affairs, 1990).

TABLE 16

INDEX OF MANUFACTURING OUTPUT, 1970-81
(Base: Quarterly Average 1972 = 100)

Year	Quarterly Average	Annual % Change
1970	81.0	11.5
1971	92.8	4.3
1972	100.0	7.8
1973	123.6	23.6
1974	119.5	-3.3
1975	147.7	23.6
1976	182.2	23.4
1977	193.5	23.4
1978	221.4	14.4
1979	327.5	47.9
1980	344.0	5.3
1981	364.0	5.7

Source: Central Bank of Nigeria, Annual Reports and Statements of Accounts. Lagos: Central Bank of Nigeria, December 1991, p. 98.

Review of Employment Effects in Manufacturing

Within the boom years of the 1970s, employment expanded significantly. Total wage employment rose by 117 percent from N1.4 million in 1970 to N3 million in 1980. Employment in the manufacturing sector increased by 74 percent.[7] Unfortunately, during the 1980s, the economic downturn due to the recession led to a reduction in employment as opposed to the growth of the 1970s. Aggregate unemployment ranged from 10 to 15 percent. The statistics fail to give a completely accurate picture of the magnitude of the unemployment problem in the various industrial sectors, but Table 17 shows the deleterious changes in manufacturing over a one-year period. Estimates of employment and paid-up capital in the manufacturing sector, based on the available data, are shown in Table 18 for the period 1970-1983, except for the year 1979. The increase in employment for the period 1970-78 suggests increased capital intensity, although it shows a decline in the employment figure despite continuous increases in capital from 1980 to 1983. Similarly, in Table 19, the data per industry for the years 1971, 1975, 1978, and 1980 are grouped into five main categories; over the period when the food and clothing branches remained dominant, their relative shares in value added and employment fell slightly. In 1980, food, beverages, and tobacco accounted for 28 percent of value added compared to 37 percent in 1971. Employment remained roughly constant at about 20 percent. The two branches of (a) food, beverages, and tobacco, and (b) textiles, clothing, leather, and travel goods, accounted for 40 percent employment in 1980. Their combined share of value added in 1971 was 58 percent and of employment 51 percent. The heavier branches of industry-industrial inputs and metal and engineering increased their combined share of value added from 24 percent in 1971 to 38 percent in 1980. Their employment also increased from 21 to 28 percent.

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[7]Federal Ministry of Economic Development, Third National Development Plan 1977-80, op. cit., p. 369; and Fourth National Development Plan 1981-85, op. cit., p. 427.

TABLE 17

EMPLOYMENT IN THREE INDUSTRIAL
SECTORS BY OCCUPATION

Sector	1984	1985	% Change
Manufacturing	51,183	48,009	-6.2
Professional/Administration	3,865	3,916	+1.3
Clerical/Office	11,181	10,642	-4.2
Technical/Operatives	36,137	33,451	-4.8

Source: Central Bank of Nigeria, "A Review of Business Activity, January-June 1985," Economic and Financial Review (September 1985), pp. 37-41.

TABLE 18

COMPARISON OF ESTABLISHMENT, PAID-UP CAPITAL, AND
EMPLOYMENT IN THE MANUFACTURING SECTOR

Year	Number of Establish-ments	Paid-up Capital (N000)	Number of Employees	Average Number of Employees per Establishment
1970	703	224.8	127,100	181
1971	870	378.8	145,400	167
1972	1,052	356.6	167,500	159
1973	1,008	409.0	162,000	161
1974	1,045	520.4	175,300	168
1975	1,290	506.2	224,200	189
1976	1,310	550.7	274,200	210
1977	1,418	703.8	324,400	229
1978	1,075	1,263.4	305,500	284
1979*				
1980	2,315	1,503.9	453,632	196
1981	2,342	1,705.7	449,093	177
1982	2,120	1,922.5	329,704	156
1983	2,112	2,128.1	322,396	152

*Not available.

Source: Federal Office of Statistics. Industrial Survey of Nigeria. Lagos, Nigeria: Federal Office of Statistics, 1970 through 1983 (except for 1979).

TABLE 19

STRUCTURE OF MANUFACTURING OUTPUT

Product Type	1971	1975	1978	1980
A. % Value Added at Current Prices:				
1. Food, beverages, tobacco	37.2	27.7	28.7	27.6
2. Textile, clothing, leather, travel goods	20.8	20.0	16.4	9.8
3. Industrial inputs	17.3	15.6	15.5	12.8
4. Construction materials	3.2	3.5	5.1	3.3
5. Metal and engineering	6.8	13.8	14.5	25.0
6. Other	14.7	19.4	19.8	21.5
Total	100.0	100.0	100.0	100.0
B. Total Employment:				
1. Food, beverages, tobacco	19.9	23.3	20.8	19.8
2. Textile, clothing, leather, travel goods	30.6	27.4	30.7	21.1
3. Industrial inputs	10.2	10.8	11.8	14.7
4. Construction materials	3.9	5.3	5.1	4.3
5. Metal and engineering	10.5	11.3	12.7	13.4
6. Other	24.9	22.9	18.9	26.7
Total	100.0	100.0	100.0	100.0

Source: Federal Office of Statistics. Industrial Survey of Nigeria. Lagos: Federal Office of Statistics, various years.

Data Analysis

Employment Generation

High unemployment in Nigeria, as in other developing countries, contributed to the demand for worldwide relocation of industries from the advanced capitalist world to the developing countries. Thus, the creation of employment opportunities constituted a cornerstone of Nigeria's economic policies. Both the Second and Third National Development Plans (1970-74 and 1975-80) predicted employment generations of 3.3 and 2.25 million jobs, respectively, largely in the small-scale non-agricultural industries.[8] However, well-designed programs can be killed by lack of capital and absence of

[8]Federal Ministry of Economic Development, Second National Development Plan 1970-74, op. cit., p. 325; and Third National Development Plan 1975-80, p. 373.

the necessary infrastructure. There was no doubt that the employment opportunities created by the NIDL through the MNC contributed to the reduction of this employment crisis and also had economic as well as social impacts on the workers in general and the overall Nigerian economy.

In order to reflect on the above contentions, the major characteristics of sample data surveys on companies which responded (as discussed in Chapter III) were used for this analysis. A total of 26 out of 30 companies surveyed responded; of these 26 companies, 13 were MNC and 13 were indigenous. The employment effect of the NIDL by the MNC was related to their size as measured by sales, as shown in Table 20(A). The table shows that the MNC sales were three times higher than those for indigenous firms, even though the ratio of MNC employees to indigenous was 1.5:1. In other words, the average Naira sale of MNC per employee was about N403,313 as compared to the indigenous sales which averaged N195,345 per employee.

Similarly, the employment generation can be measured by its paid-up capital. Research revealed that the IND employed an average of 47 workers for each N1 million of paid-capital, whereas the MNC employed only 24 workers for the same amount. However, the average equity capital of MNC per employee amounted to N41,498.9 compared to only N21,290.7 for the IND. Another interesting fact is that the average number of MNC reaching N1 million in sales came to two, whereas for IND the figure was five, as shown below:

Sales	N7,975,130,814	N2,663,530,000
Number of employees	19,774	13,635
Paid-up capital	N820,588,000	N290,315,000
Employees per N1 million in sales	2	5
Employees per N1 million paid-up capital	24	47
Paid-up capital per employee	N41,498.7	N21,290.7

Thus, the overall picture, as shown above, shows that MNC tend to be far larger as to employment. However, what type of employment generates the best support for the Nigerian economy? The available data show that IND are more labor-intensive and thus generate more employment than the MNC.

Another yardstick used to measure the employment effects of MNC in the manufacturing sector was to compare them with those of the indigenous firms. Table 20(B) shows that, of the 13 MNC in the sample data, they employed a total of 19,774 workers giving an average of 1,521 employees per company. On the other hand, the IND employed 13,635 in 13 companies, giving an average of 1,049. This was about one half less than the MNC. Further, when the data were broken down into specific types of industry in the manufacturing sector, the same situation prevailed. Table 21 shows a continuous trend in employment generation by the MNC over the IND in the areas of textiles, beverages, and chemical products. This suggested that MNC had a much larger labor force, which contributed to solving the unemployment problem in Nigeria, contrary to the first hypothesis of this chapter that they did not help contribute to the solution of Nigeria's unemployment problem.

Employees in Management

A healthy economy is necessary for companies to achieve viability and profitability. In turn, in a successful business environment, employees acquire management-entrepreneurial skills necessary to develop self-sustaining economic growth and development. In fact, the supply of management positions to build new firms and companies for the exploitation of the Nigerian economy constituted the ultimate determining factor of its economic growth. Therefore, it was of interest to this study to focus on the proportion of management positions held by Nigerians.

TABLE 20

EMPLOYMENT DATA

A. Comparison of Employee Effect:

Sales (in million N)	MNC	IND
Sales	7,975,130,814	2,663,530,000
Number of people employed	19,774	13,635
Average sales/employee	403,313.98	195,345.10

B. Comparison of Average Employees/Company:

	Total No. Employees	No. Companies	Average No. Empl./Company
MNC	19,774	13	1,521
Indigenous	13,635	13	1,049

C. % Distribution of Employment by Company:

	Managers		Skilled Clerical		Unskilled
	Nig.	Non-Nig.	Nig.	Non-Nig.	Nigerian
MNC	755	76	15,465	23	3,455
Indigenous	803	28	8,373	3	4,428

D. Number of University Graduates Employed by Company:

	Total No. Employed	No. Graduates	% Employed
MNC	19,774	749	3.87
Indigenous	13,635	905	6.67

E. Employee Wages by Category and Nationality (wages in N000):

	Managers						Other Employees		
	Nigerian			Non-Nigerian					
	No. of Empl	Total Wages	Aver. Wages	No. of Empl	Total Wages	Aver. Wages	No. of Empl	Total Wages	Aver. Wages
MNC	755	36,897	48,869	76	7,354,582	96,771	18,861	187,050	9,917
Indigenous	803	26,751	33,313	28	1,838,683	65,667	12,804	77,615	6,061

F. Frequency Wage Rate by Labor Competition (N=13):

Labor Competition	Wage Rate	Percentage
Indigenous	6	46.2

TABLE 20 (Continued)

G. Frequency Quality Labor by Labor Competition (N=13):

Labor Competition	Quality Labor	Percentage
Indigenous	4	30.8

H. Frequency of Workers Trained by Company:

	Total Workers Employed	Workers Trained	% Trained
MNC	19,774	10,944	55.3
Indigenous	13.635	7,989	58.6

I. Training Expenditure per Worker by Company:

	Workers Trained by Company	Total Expenditure	Expenditure per Worker
MNC	10,944	14,167,771	1,294.56
Indigenous	7,989	4,079,157	510.59

J. % Distribution of Training Department by Company:

	No.Companies	%
MNC	11	84.6
Indigenous	10	76.92

K. Comparison of Employee Training:

	MNC	IND
1. Percentage of Total Workers Trained	55.3	58.6
(a) Overseas training as % of total training	1.1	0.4
(b) Local training as % of total training	98.9	108.8*
2. Management Training as % of Total Training	18.2	37.7
(a) % of management training overseas of total workers	1.1	0.4
(b) % of management training locally of total workers	17.1	37.3
3. Blue Collar Training as % of Total Training	69.0	53.3
(a) % of blue collar training overseas of total workers	0	0
(b) % of blue collar training locally of total workers	69.0	53.3
4. White Collar Training as % of Total Training	11.50	15.86
5. Training Expenses per Employee (N)	1,294.56	510.59
6. Training Expenses as % of Sales	0.18	0.15

MNC = Multinational Corporations; N = Nairas.

*This figure is higher as it reflects the numerous workers who attended more than one course during the year; i.e., each individual was counted twice.

TABLE 21

COMPARISON OF TURNOVER AND EMPLOYMENT IN MNC AND IND

Company	ISIC	No. of Employees	Turnover
Textiles:			
MNC	3211	1,452	N290,000,000*
MNC	3211	9,890	N151,483,000
MNC Avg.:	3211	5,671	N902,415,000
IND	3211	1,474	N145,250,000
Beverages:			
IND	3133	870	N170,625,000
IND	3133	685	N192,364,000
IND Avg.:	3133	778	N181,494,500
MNC	3133	3,277	N2,155,000,000
Chemical Products:			
MNC	3523	2,106	N1,783,000,000
IND	3523	318	N300,000,000

N = Nigerian Naira

As can be seen in Table 20(C), the smaller percentage of indigenous employees in the managerial category were in the MNC. About 4 percent of MNC were in the management positions, and 6 percent in Nigerian companies. The table also shows that Nigerians had an overall greater share of the management positions in both MNC and IND, with the ratio higher within the indigenous firms. It revealed that there was only one non-Nigerian manager for every 16 managers in both the MNC and indigenous firms combined. This development could be attributed partly to the government policy of indigenization which was pursued since 1972.

The indigenization decree was reflected in the economic sector, as Nigerian managers controlled the firm's management. Another interesting figure reflected in Table 20(C) was the greater number of unskilled labor in indigenous firms. While skilled workers comprised 78.2 percent of MNC, leaving only 17.4 percent unskilled employed, indigenous firms employed 61 percent skilled and 32.4 percent unskilled workers. This showed that there was more concern on the part of IND to employ more Nigerians not based on skills but for overall economic growth.

Similarly, Table 20(D) reflects the nature of university graduate employment in the industry. The data revealed that, of the total workers employed by the IND, 6.64 percent were graduates, whereas the MNC employed only 3.87 percent—almost twice less than the IND. This disparity showed that the latter, despite limited capital, invested more in those areas that would stimulate economic growth for Nigeria.

Wage Rates

The addition of "payroll" dollars" has been regarded as an important component of the "push effect" of MNC in developing countries.[9] Table 20(E) presents the wage effect

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[9]F. Perry Wilson, "Multinationals' Value," New York Times, 1975, p. 33.

on workers. It shows that MNC paid a total of N36.9 million to Nigerian managers, N7.4 million to non-Nigerian managers, and N187.05 million to the other workers—giving an average of N48,869, N96,771, and N9,917, respectively. On the other hand, the IND paid N26.8 million to Nigerian managers, N1.8 million to non-Nigerian managers, and N77.6 million to other workers; this gave an average of N33,313, N65,667, and N6,061 per worker. The data showed that MNC paid higher wages and salaries than the indigenous firms, and non-Nigerian managers were paid almost twice as much as their Nigerian counterparts. However, when the researcher questioned the effect of this wage rate on the indigenous firms, only 46.2 percent of respondents said that wage rates had an impact on their quality of recruitment, as shown in Table 20(F). Similarly, Table 20(G) shows that 30.8 percent of IND stated that MNC had no effect on them as to labor competition. This observation reflects a situation that is not uncommon in developing countries. Labor power is cheap and can easily be recruited, thus accepting the second hypothesis of this chapter: "Higher wage rates offered by foreign companies to the labor market in Nigeria have no effect on availability of quality labor to the indigenous companies."

Manpower Development and Training

One of the benefits claimed for MNC is the upgrading of the quality of the domestic labor force. Such improvement comes partly through the acquisition of new skills through informal on-the-job training and experience. More important, perhaps, is the skill improvement programs companies offer through formal training courses. These are often carried out domestically by the company's training department, other training institutions, or abroad by the parent companies or other affiliates. Thus, one measure of the amount of training offered to employees is the existence of a training department within the company. Generally, such a department is obviously expected to exist within large companies.

An incentive for attracting foreign and indigenous investors so as to promote industrialization is the Industrial Training Fund (ITF), which was set up by the government to coordinate and subsidize the industrial training activities in Nigeria. Its purpose was to allow companies to invest time and money in training their employees. All employers of labor in Nigerian industry are by law required to contribute 1 percent of their total payroll to the ITF annually. The contributors to the fund may claim up to 60 percent refunds of their training expenses every year. Table 20(H) presents the frequency of training of workers;. Of a total of 19,774 workers employed by MNC, 10,944 or 55.3 percent were trained in the year under review. Similarly, IND trained 58.6 percent of their 7,989 workers out of a total employment of 13,635. This development was contrasted, however, by the training expenditures per worker provided by each company, as shown in Table 20(I). Of the 13 MNC surveyed, N14.2 million was spent for 10,944 workers, giving an average of N1,294.56 per worker. Of the 13 IND surveyed, a total of N4.1 million was spent for a total of 7,989 workers, giving an average of N510.59. This showed that the IND paid less than half of their MNC counterparts. The data in Table 20(J) provided a different revelation as to the training provided to workers: 84.61 percent of MNC had training departments, and IND about 76.92 percent. This showed that, even though the MNC spent almost twice as much, the IND had such provisions but might have lacked the capital to spend on worker training.

Finally, Table 20(K) shows a detailed comparison of employee training. MNC trained a higher percentage of their workers overseas with about 1.1 percent, whereas IND had only 0.4 percent. This showed that IND trained more workers locally with about 108 percent, compared to MNC with 98.9 percent locally. This higher percentage, as depicted by the IND, showed that many managers attended several courses during the year, where each person was counted twice as an individual. When the figures were broken down narrowly to management overseas and local, it was found that IND trained about 37.7

percent of their management staff, compared to MNC who trained only 18.2 percent of their workers in this category. However, the figure showed that only 0.4 percent of indigenous employees went on overseas training, while MNC sent about 1.1 percent. In the local training, the IND trained about 37.3 percent of their management workers, while the MNC only trained 17.1 percent of their workers in the management category. Table 20(K) also shows a sharp difference for employees provided with training. In categories 3 and 4, MNC put more emphasis on training blue collar workers, whereas IND trained more white collar workers. Thus, whereas the MNC trained about 69 percent of their blue collar and 11.50 percent of their white collar workers, the IND trained 53.3 and 15.86 percent, respectively.

The overall picture was shown in category 6. The training expenses as a percentage of sales by each company show that MNC spent 0.18 percent of its almost N8 billion sales for its workers during the year under review, and the IND 0.15 percent with total sales of N3 billion, or two and a half times of sales volume less than the MNC. This seemed to suggest that IND showed more concern for training than the MNC, although this was not enough to refute the hypothesis that Nigerian workers were not given the training and skills necessary to develop a self-sustaining economic growth and development for the country. Furthermore, the higher MNC expenditures per employee training, as observed in the analysis, cannot refute this hypothesis.

What was at stake here was the skills given to workers and the category of workers who were given this training. While the MNC invested more in capital expenditures per employee training, the indigenous firms trained larger numbers of workers given the same sales volume. Therefore, the hypothesis was accepted.

Testing of the Hypotheses

Three hypotheses were tested in this Chapter. The first hypothesis on employment generation by the NIDL, "The NIDL does not contribute to the solution of Nigeria's unemployment problem," was rejected, because the data analysis showed that the MNC contributed more than the IND in employment generation. The second hypothesis, "Higher wage rates offered by foreign companies to the labor market in Nigeria have no effect on the availability of quality labor to the indigenous companies," was accepted. Certainly, the abundant labor market minimized labor competition. Similarly, the third hypothesis, "Nigerian workers are not given the training and skills necessary to develop a self-sustaining economic growth and development that Nigeria needs," was accepted. There was no aggressive effort by both MNC and IND to train their workers in the much-needed skills areas. Surprisingly, almost all the management positions were occupied by Nigerians, but they received almost half the salary given to their foreign counterparts. The presence of Nigerians in such key decision-making positions is important for the country's economic well-being and development.

CHAPTER V

SUMMARY, FINDINGS, DISCUSSION, IMPLICATIONS, AND RECOMMENDATIONS

This chapter concludes the study on the impact of the NIDL on investment and employment in the manufacturing sector of the Nigerian economy.

A total of 30 companies were surveyed for this study, with 26 usable responses—13 from the MNC and 13 from the IND. The questionnaire (Appendix) was administered to companies in all regions of Nigeria, and the data collected were analyzed. Evidently, this was a small sampling of manufacturing companies, and the results are not necessarily representative for the country as a whole. Despite this limitation, however, the data were certainly illustrative of the existing trends. The researcher hopes that this study will provide guidance to people doing further research work in this field. The study covered the period from 1970 to 1985, and the following measures were employed to investigate the problem:

1. Activity type of foreign industry in the manufacturing sector
2. Amount of job generation provided in the Nigerian economy
3. Wage and labor quality situations
4. Manpower training provided to Nigerian workers.

In order to obtain revealing answers to the above aspects of the problem, the questionnaire gathered data on the following areas:

1. Identification information
2. Kind of production activity
3. Year production first started
4. Form of ownership (Nigerian, non-Nigerian)
5. Sales and other receipts
6. Employee category and wage rates
7. Raw materials procurement
8. Manpower training provided
9. Labor quality recruitment
10. Government policy regulations

The Internationalization of Capital theory was used to explain the results of the study as it related to the Nigerian situation, and the following hypotheses were formulated:

1. Industries do not encourage export manufacturing products that will stimulate much-needed hard currency.
2. The NIDL does not contribute to the solution of Nigeria's unemployment problem.
3. Higher wage rates offered by foreign companies to the labor market in Nigeria have no effect on the availability of quality labor to the indigenous companies.
4. Nigerian workers are not given the training and skills necessary to develop a self-sustaining economic growth and the development needed for Nigeria.

The study was historical and descriptive in nature, and secondary as well as primary sources of data were employed. Secondary sources were collected from the public libraries, the Central Bank of Nigeria, and the Federal Office of Statistics in Lagos, Nigeria. Although Central Bank of Nigeria and Federal Office data can be considered as primary data, both publications often lagged by many years. Because of this weakness in the availability of data, primary data were sought and collected through the questionnaire.

Secondary data were used in Chapters I through IV, and primary data were used specifically in Chapters III and IV.

In the literature review (Chapter II), it was pointed out that the NIDL was a historical development in the capitalist mode of production as capital searched for new areas for profit, new areas where labor was cheap and raw materials available for capitalist advancement into which Nigeria was inevitably garnered. It was also shown that the New World Economic Order was a mammoth undertaking in a decentralized global economy that operated in an anarchic political setting. This setting lacked a central state to manage the kind of processes of economic regulations implicit in the Third World call for a development-oriented world economy. The frustrations and deadlocks in this undertaking spearheaded the drive for the NIDL as the UN, under the aegis of the UNIDO, called on the Third World to create the kind of atmosphere that would attract capitalist investment—such as tax-free incentives, other government regulations, and export-free zones found in many developing countries today. Chapter III described the presence of foreign investment in the manufacturing sector of the Nigerian economy as an unmistakable pointer to the tendency toward the NIDL, with political as well as economic implications. Both the secondary and primary data were employed to analyze the impact of this venture on the Nigerian economy.

The secondary data were used to investigate the types of industries located in Nigeria during the years under study, and the primary data were used to test the hypothesis that industries did not encourage export manufacturing products. Chapter IV analyzed the employment effects in the manufacturing sector and employed the following measures: amount of job generation, wage and labor quality situations, and manpower training. Secondary data were used to show the trend of employment conditions during the year under study and its implications within the economy, while the primary data were used to test the following three hypotheses:

1. The NIDL does not contribute to the solution of Nigeria's unemployment problem.
3. Higher wage rates offered by foreign companies to the labor market in Nigeria have no effect on the availability of quality labor to the indigenous companies.
4. Nigerian workers are not given the training and skills necessary to develop a self-sustaining economic growth and the development needed for Nigeria.

Findings

As a result of the above tests, the researcher presented the following findings:

1. The hypothesis that industries did not encourage export manufacturing products to stimulate much-needed hard currency was accepted.
2. The hypothesis that the NIDL did not contribute to the solution of Nigeria's unemployment problem was rejected.
3. The hypothesis that higher wage rates offered by foreign companies to the labor market in Nigeria have no effect on the availability of quality labor to the indigenous companies was accepted.
4. The hypothesis that Nigerian workers are not given the training and skills necessary to develop a self-sustaining economic growth and the development needed for Nigeria was accepted.

Discussion

The tendency leading toward the NIDL was manifested in the manufacturing sector of the Nigerian economy as capital moved from advanced capitalist countries in the form of industrial relocation (see Tables 8 through 13). As this tendency developed, the following observations were made.

The import substitution industrialization pursued by Nigeria after its independence was manifested as foreign investors relocated their industries to Nigeria. Chapter III highlighted the seriousness of this interaction and relationship, as most industrial ventures were mainly tailored to serve local needs and consumption. Here, export earnings that could have helped government revenues and stimulated the purchasing power of the local currency (Naira) were lacking. Both the MNC and the IND found themselves competing on the same market without any aggressive effort to put Nigerian products on the competitive global world market.

In the area of job generation, it was found that the NIDL helped contribute to the solution of Nigeria's unemployment problem, as indicated in Chapter IV. Thus, foreign investment in the manufacturing sector was beneficial to the economy, as MNC contributed more in employment than the IND. Again, the majority of management categories comprised mainly Nigerians, as a result of the indigenization decree which monitored the appointment of Nigerians to top-level management and board member positions. Also, the MNC employed more management and skilled/technical workers than the IND. However, the IND employed more unskilled workers.

An interesting observation was made in the area of wage/labor recruitment by the IND, where the following hypothesis was accepted: "Higher wage rates offered by foreign companies to the labor market in Nigeria have no effect on the availability of quality labor to the indigenous companies."

The abundance of manpower and the soaring rate of unemployment that may tend to negate this type of assumption was not confirmed. About 70 percent of IND claimed that labor recruitment was no problem to them, despite the higher wages offered by their MNC competitors.

The acceptance of the following hypothesis, 'Nigerian workers are not given the training and skills necessary to develop a self-sustaining economic growth and the development needed for Nigeria," resulted from the analysis of their relative inputs. Thus, although the MNC spent more on training than the IND, the IND trained about 58.6 percent of total workers, while MNC trained only about 55.3 percent. Similarly, MNC only spent about 0.18 percent of total sales of about N8 billion, while IND spent about 0.15 percent of total sales of about N3 billion on training. There appeared to be no aggressive effort, on the part of both types of companies, to train more white collar workers. Overseas training, especially by IND, was lacking. Such a low performance could not accelerate industrialization policies being pursued by the country.

Legislative regulations—such as the Nigerian Enterprises Promotion Decree of 1972, amended in 1977 and renamed the Indigenization Decree—was the most promising legislative law to fulfill the government's industrialization policy, which provided to some degree the economic ownership and benefits of these industrial ventures to Nigerians. Thus, the handing over of the management of these industries, in whole or in part, to Nigerian managers and directors could be rated as an indication of some progress.

The nature of raw materials procurement was also highlighted in the study. None of the companies showed an aggressive record for integrating local Nigerian resources into the ongoing development in the world economy. MNC purchased about 49 percent of their raw materials from abroad, compared to 28 percent for the IND in the year under review. However, it seemed that MNC were using their industries in Nigeria to sell their home country's raw materials, as shown by the data gathered in this study indicating that their products were almost the same as those of the IND and were grouped in the same industrial activity categories.

Another interesting observation was the effect of government policies on taxes, customs, and prices on the two types of companies. It appeared that businesses, regardless of type, reacted in the same manner, especially when it came to those subjects. The MNC and the IND were not favorable to the government policies on taxes and customs duties, but were less worried about price control regulations.

Implications

The following implications were derived from the findings of this study:

1. The industrial ventures spearheaded by the NIDL did not encourage export product industrialization which would earn foreign exchange for the Nigerian economy. Attempts should be made for a gradual long-term process of positive interaction with foreign investors. This peaceful transition would enable Nigeria to graduate from its phase of import substitution industrialization to which the developing countries of Southeast Asia such as Taiwan, Korea, and Singapore have already graduated, and who are now major competitors within the global market.
2. Ownership characteristics in the study suggest that the Indigenization Decree empowered Nigeria to be part of the industrial ventures being established in the country. Such an aggressive policy may not pay a good dividend, especially in those high-technology industrial policies which Nigeria is pursuing. No investor would like his capital, which he knows is crucial to the economic development of the country, to be dictated by a policy which will not guarantee him his best economic interests.
3. The method of raw materials procurement within the manufacturing sector revealed the MNC bought about half of their input abroad. Attempts must be made to correct this imbalance by integrating local raw materials for production. This can be diplomatically carried out by negotiating for extractive industries with vendors and/or carrying out an extensive research plan to discover whether the available raw material input could be obtained locally, rather than using money to serve another country's economy.
4. The NIDL provides job opportunities, as revealed by the study. Such opportunities can be promoted by tailoring the school curriculum, so that the school system can provide available manpower to the industrialists who want to invest in Nigeria. The

fact that there is a high rate of unemployment in Nigeria does not necessarily mean that the right type of available manpower is available to attract foreign capital. Cheap labor and manpower skills are motives that accelerate the drive for capitalist investment. Today's high-technology industries and the country's industrialization policy require government intervention in funding a school system that can produce the right manpower and the infrastructure needed by the country's investors.

5. The labor quality and wage conditions data suggested that there was no recruitment or harsh competition problem between the MNC and the IND. This may be true, but the government can still protect and preserve workers' interests from hostile foreign exploitation by creating a public service commission office to provide investors with available manpower needs based on the salary scale.

6. The study also showed that Nigerian workers were not given the training needed to fulfill the industrialization policy which Nigeria needs most. Here, the inadequacy of this undertaking should be corrected by the government to negotiate seriously with the investors on the means of subsidizing the cost on the part of the investors in the form of flexible tax rate incentives. The long-term benefits of training workers to be competitive and available to investors will foster an industrial take-off and the economic policy of the country.

Recommendations

The above points should encourage Nigeria to integrate and benefit from the ongoing NIDL. The following recommendations are based on a thorough analysis of the outcome of this study:

1. Literature findings pointed out that Nigeria stands a better chance than most other African countries south of the Sahara in the ongoing development of the world market production in terms of raw materials, large market share, and manpower

availability. Therefore, Nigeria could dominate most of the West-African region with its goods and earn a good return, if policies are made to provide free trade and pursue aggressive customs barriers. Regional economic cooperation must be vigorously pursued. Joint ventures must be established with other West-African countries to achieve an effective transportation and communications network as the manufacturing sector of Nigeria expands. In an era of increasing regionalism, and as the Economic Organisation of West African States (ECOWAS) becomes a forceful actor of economic integration in West Africa, Nigeria can thus utilize its ever-expanding manufacturing sector as an outlet for export and trade while promoting friendly cooperation with ECOWAS members.

2. The success of any capitalist economic survival relies on the foresight of the organization and its management's ability to recognize vital needs that will stimulate growth. Thus, an infrastructure conducive to capitalist development must be available to attract the needed industries. An appropriate tax system can be developed and revenue utilized for these infrastructures.

3. The school system, community leaders, teachers, curriculum developers, and representatives of government must be encouraged to provide all the necessary input to develop the best manpower for Nigeria's industrialization. Furthermore, Nigeria must seriously negotiate with investors to support the areas of export products and worker training as Nigeria gears its educational systems for industrialization.

APPENDIX

QUESTIONNAIRE

Good Day!

The transnational and multinational corporations represent an important sector of the Nigerian economy. This survey is conducted as a PhD dissertation on the impact of the New International Division of Labor on investment and employment in the manufacturing sector of the Nigerian economy. I would appreciate it if you could assist by furnishing me with the following information. YOU NEED NOT INDICATE YOUR NAME OR THE COMPANY'S NAME.

Thank you very much.

1. Where is the company located? City:________ State:_________________
2. How long has the company operated in Nigeria?_________________
3. Major products of the company: ___________________________________
4. Has the company established any other companies (apart from branches of this one)?
   Yes____ No____
5. If yes, how many such companies? (please state number)________________
6. Total amount of company paid-up capital:_________________
7. Total sales of company:
   (i) in 1992: ________________
   or
   (ii) in most recent year available:_________________ (state year:_________)
8. Number of employees in the categories specified below:

   (a) Management staff (total):__________
   (i) Nigerians__________________
   (ii) Non-Nigerians______________

   (b) Skilled/clerical.technical staff (total):____________
   (i) Nigerians__________________
   (ii) Non-Nigerians______________

   (c) Unskilled: ____________________

   (d) Total number of employees:___________________
9. Number of university graduates employed by the company:
   (i) Nigerians__________________
   (ii) Non-Nigerians______________
10. Is there a training department in this company? Yes_________ No_________

11. How many Nigerian employees were sponsored for the following company training programs in 1992?

    (a) Overseas management courses:________________
    (b) Short-term management courses in Nigeria:_____________
    (c) Company-based technical training for blue-collar workers:_____________
    (d) Overseas technical training for blue-collar workers:_____________
    (e) Local training for white-collar workers:________________
    (f) Others (please specify):________________

12. How much did your company spend on staff training in 1992?:__________________

13. Do government policies in any way affect your operation?
    (i) Taxes Yes_________ No__________
    (ii) Duty/customs Yes_________ No__________
    (iii) Pride controls Yes_________ No__________

14. Is your product an export product? Yes____________ No__________

15. If yes, indicate the percentage of your company's overall exports:___________

16. Is the raw material from Nigeria?
    (a) Percent from Nigeria:____________
    (b) Percent from abroad:____________

17. Please indicate the total wages your company paid in 1992 to the following categories of employees:
    (a) Nigerian managers:___________________
    (b) Non-Nigerian managers:________________
    (c) Other workers: :______________________

18. Percentage of company ownership:
    (i) Nigeria:_________________
    (ii) Foreign:________________

19. Do you think you pay higher wage rates due to labor competition with foreign companies? Yes____________ No_________

20. Do you find it difficult to recruit qualified labor due to wage rate competition with foreign companies? Yes____________ No_________

21. If you have any other comments, please use the remainder of this page.

Thank you for your cooperation.

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